



NEPAL RASTRA BANK

ANNUAL FINANCIAL STATEMENTS

Fiscal Year 2074 - 2075 (A.D. 2017/018)



NEPAL RASTRA BANK



Dr. Chiranjibi Nepal
Governor/Chairman



Dr. Rajan Khanal
Secretary MOF/Director



Mr. Chintamani Siwakoti
Deputy Governor/Director



Mr. Shiba Raj Shrestha
Deputy Governor/Director



Dr. Sri Ram Poudyal
Director



Mr. Ramjee Regmi
Director



CA. Dr. Suvod Kumar Karn
Director



Rishikesh Bhatta, CPA
Executive Director
Financial Management Department



नेपाल राष्ट्र बैंक NEPAL RASTRA BANK

केन्द्रीय कार्यालय
बालुवाटार, काठमाडौं
Central Office
Baluwatar, Kathmandu

FOREWORD

Nepal Rastra Bank (NRB) is committed to making the financial information more transparent, credible and relevant to the external users as per the requirement of Nepal Rastra Bank Act, 2058. In the above regard and as stipulated in the act, NRB prepares annual report for each fiscal year, which includes the Balance Sheet, Profit & Loss and the particulars relating to it.

This report consists of the audited Statement of Financial Position of the Bank as of 32nd Asadh 2075 (16th July 2018), related Statement of Net Income & Other Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the fiscal year together with explanatory notes to the accounts forming integral part of the financial statements.

This Financial Statements on Nepal Rastra Bank's Annual Accounts for the fiscal year 2074/75 B.S. (2017/18) has been prepared and presented hereby fully complying the existing International Norms, Nepal Financial Reporting Standards (NFRS) and International Financial Reporting Standards (IFRS) where applicable with no audit qualifications regarding the same.

I express my heartfelt gratitude to the Office of the Auditor General as well as CA Mahesh Khanal, CA Prabin D. Joshi and CA Tek Nath Acharya for their valuable suggestions and observations. I would also like to thank all concerned employees and expert committee members for their explicit contributions and efforts for successful completion of audit works as well as the preparation and publication of this Financial Statements.

It is my firm belief that annual publication of the financial statements along with relevant information would enhance transparency and trustworthiness of the Bank among its stakeholders.


(Dr. Chiranjibi Nepal)



महालेखापरीक्षकको कार्यालय
Office of the Auditor General

Public Enterprises Audit-General Directorate

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बबरमहल, काठमाडौं, नेपाल
Babar Mahal, Kathmandu, Nepal

Ref No. 2075/76 - ३६१

Date: March 1, 2019

Independent Auditor's Report

To,
The Governor,
Nepal Rastra Bank,
Baluwatar, Kathmandu.

1. Report on the Financial Statements

We have examined the accompanying financial statements of Nepal Rastra Bank (NRB) which comprises the Statement of Financial Position at Ashad 32nd, 2075 (July 16, 2018), Statement of Net Income and Other Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity for the period then ended and Notes comprising of significant accounting policies and explanatory information.

2. Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Financial Reporting Standard (NFRS) and International Financial Reporting Standard (IFRS) wherever applicable NFRS has not been pronounced/updated and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

3. Auditor's Responsibility

Our responsibility is to express an opinion in these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing (NSA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on our judgment including assessment of the risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes assessing the accounting polices used and significant estimates made by management, as well as evaluating the overall financial statements presentation.

We believe that our audit provides a reasonable basis for our unqualified opinion.

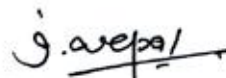
4. Management Letter

A separate Management Letter consisting of additional audit observations has been issued to the management for improvement.

5. In our opinion, financial statements, read with notes, give in all material aspects, true and fair view of the financial position of NRB as at Ashad 32nd 2075 (corresponding to July 16, 2018), its financial performance, cash flow and changes in equity for the year then ended in accordance with NFRSs and IFRSs where applicable.

6. Without qualifying our opinion, we draw attention to followings matters:

- a. that testing of purity /quality and quantity of physical gold, silver including gold/silver coins etc. held at NRB premises has not been carried out,
- b. that there exists inconsistency in accounting and valuation of financial assets on initial recognition, and
- c. that interest receivable of Rs. 1010 million from Government of Nepal pending recovery for long.



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Iswar Nepal
Deputy Auditor General



NEPAL RASTRA BANK
STATEMENT OF FINANCIAL POSITION
As on 32nd Asar, 2075 (16th July, 2018)

Figures in NRs.

Particulars	Notes	As on 32-3-2075	As on 31-3-2074
ASSETS			
Cash and Cash Equivalents	4.1	847,168,622,674	791,970,600,508
Trading Assets		-	-
Derivative Assets Held for Risk Management		-	-
Loans and Advances to Bank and Financial Institutions	4.2	12,220,303,401	6,927,270,915
Loans and Advances to Others	4.3	12,338,565,901	12,033,861,094
Overdraft to Government of Nepal		-	-
Gold and Silver at Fair Value	4.4	45,467,467,808	42,265,102,190
Investment Securities	4.5	232,984,574,153	199,586,267,101
Inventories	4.6	3,835,795,333	3,085,499,454
Investment Properties		-	-
Property, Plant and Equipment	4.7	948,998,394	970,144,052
Intangible Assets	4.8	114,014,904	137,245,966
Other Assets	4.9	17,312,233	63,015,365
TOTAL ASSETS		1,155,095,654,801	1,057,039,006,645
LIABILITIES AND EQUITY			
LIABILITIES			
Financial Liabilities held for Trading		-	-
Derivative Liabilities Held for Risk Management		-	-
Bills Payable		115,622,742	233,602,320
Deposits from Bank and Financial Institutions	4.10	208,116,242,256	211,579,363,272
Deposit from Government of Nepal		144,165,917,368	193,752,687,231
Deposits from Others	4.11	25,479,607,975	27,004,456,317
Short Term Borrowings	4.12	44,550,000,000	14,400,000,000
IMF Related Liabilities	4.13	21,674,958,091	21,559,685,462
Staff Liabilities	4.14	2,095,039,220	5,791,597,601
Subordinated Liabilities		-	-
Provisions		-	-
Other Liabilities	4.15	1,209,553,211	1,241,464,281
Currency in Circulation	4.16	494,389,500,000	430,990,000,000
Surplus Payable to Government of Nepal	4.17 (a)	9,000,000,000	7,500,000,000
Total Liabilities		950,796,440,863	914,052,856,484
EQUITY			
Capital		5,000,000,000	5,000,000,000
Reserves & Surplus	4.17 (b)	199,299,213,938	137,986,150,161
Non-controlling Interest		-	-
TOTAL EQUITY		204,299,213,938	142,986,150,161
TOTAL LIABILITIES AND EQUITY		1,155,095,654,801	1,057,039,006,645

Notes referred above and significant disclosures are integral part of this statement.

As per our report of even date

Rishikesh Bhatta, CPA
Executive Director-Financial Management Dept.

Mr. Iswar Nepal
Deputy Auditor General

Board of Directors:

Dr. Chiranjibi Nepal
Governor

CA. Tek Nath Acharya
T.N Acharya & Co.
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Dr. Sri Ram Poudyal
Board Member

Mr. Ramjee Regmi
Board Member

CA. Dr. Suvod Kumar Karn
Board Member

Date: 2075/09/20
Place: Kathmandu



NEPAL RASTRA BANK
STATEMENT OF NET INCOME AND OTHER COMPREHENSIVE INCOME
For the Year ended on 32nd Asar, 2075 (16th JULY, 2018)

Figures in NRs

Particulars	Notes	For the Year Ended 32-03-2075	For the Year Ended 31-03-2074
Interest Income	4.18	32,431,135,623	25,241,258,635
Interest Expense	4.19	(156,622,766)	(478,464,921)
Net interest Income		32,274,512,857	24,762,793,714
Fee and Commission Income	4.20	100,152,190	66,995,017
Fee and Commission Expense	4.21	(516,125,642)	(251,329,717)
Net Fee and Commission Income		(415,973,452)	(184,334,700)
Net Trading Income		-	-
Net income from Other Financial Instruments at Fair Value through Profit or Loss		-	-
Foreign Exchange Gain/(Loss) - Realised		789,682,272	920,815,808
Other Income	4.22	429,723,304	201,967,577
Total Operating Income		33,077,944,981	25,701,242,399
Impairment Allowance on Financial Assets Written back		84,899,543	124,225,097
Net Operating Income		33,162,844,524	25,825,467,496
Personnel Expenses	4.23	(3,298,549,296)	(4,282,990,897)
Depreciation, Amortisation and Impairment of Non-Financial Assets	4.24	(134,751,851)	(112,652,248)
Operating Expenses	4.25	(1,839,298,902)	(1,741,360,826)
Distributable Net Income/(Expenditure)		27,890,244,475	19,688,463,525
Foreign Exchange Gain/(Loss) - Unrealised		38,272,111,979	(23,752,795,700)
Gold and Silver Revaluation Gain/(Loss)		3,618,022,578	(6,767,810,405)
Securities Revaluation Gain/(Loss)		-	9,952,836
Net Income/(Expenditure) for the year		69,780,379,032	(10,822,189,744)
Other Comprehensive Income			
Actuarial gain (Loss) in defined benefit Retirement Schemes		1,483,371,084	(1,898,003,065)
Net gain (loss) on hedges of net investments		-	-
Net Change in fair value of Cash flow hedges		-	-
Net Change in Fair value of Equity Instruments		(955,264,382)	(797,324,711)
Other Comprehensive income		528,106,702	(2,695,327,776)
Total Comprehensive income		70,308,485,734	(13,517,517,520)

Notes referred above and significant disclosures are integral part of this statement.

As per our report of even date

Rishikesh Bhatta, CPA
Executive Director-Financial Management Dept.

Mr. Iswar Nepal
Deputy Auditor General

Board of Directors:

Dr. Chiranjibi Nepal
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Deputy Governor

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Board Member

Mr. Ramjee Regmi
Board Member

CA. Dr. Suvod Kumar Karn
Board Member

Date: 2075/09/20
Place: Kathmandu



NEPAL RASTRA BANK
STATEMENT OF CASH FLOWS

For the Year ended on 32nd Asar, 2075 (16th JULY, 2018)

Figures in NRs

PARTICULARS	For the Year Ended 32-3-2075	For the Year Ended 31-3-2074
Cash Flow From Operating Activities:		
Net Income/(Expenditure) for the year	69,780,379,032	(10,822,189,744)
Adjustments:		
Depreciation & Amortisation	134,751,851	112,652,248
Dividend Income	(62,332,657)	(62,991,715)
Provisions no Longer Required Written Back	(84,899,543)	(124,225,097)
Grant Income	-	-
Profit from Sale of Assets/ Investments	(73,847,508)	(6,110,898)
Assets Written Off	-	-
Interest paid on IMF Liabilities	76,400,976	29,849,447
Surplus/(Deficit) Due to Restatement of Prior Period Errors	4,578,042	(23,278,046)
Foreign Exchange Gain/(Loss) - Unrealised	(38,272,111,979)	23,752,795,700
Net Gold and Silver Revaluation Gain/(Loss)	(3,618,022,578)	6,767,810,405
Securities Revaluation Gain/(Loss)	-	(9,952,836)
Actuarial gain (Loss) in defined benefit Retirement Schemes	1,483,371,084	(1,892,816,383)
Cash Flow From Operation Before Inc / Dec in Operating Assets	29,368,266,720	17,721,543,081
(Increase)/Decrease in Operating Assets	(6,302,330,039)	(3,973,772,531)
Loans & Advances	(5,597,737,293)	(4,036,345,660)
Inventories	(750,295,878)	56,581,942
Other Assets	45,703,132	5,991,186
Increase/(Decrease) in Operating Liabilities	(28,008,350,532)	46,466,948,688
Government Deposit	(49,586,769,863)	59,920,530,979
Deposit Liabilities	(4,987,969,359)	20,695,880,929
Bills Payable	(117,979,578)	(888,616,035)
Short Term Borrowings	30,150,000,000	(34,680,000,000)
IMF Deposit	262,837,718	-
Staff Liabilities	(3,696,558,381)	3,960,743,819
Other Liabilities	(31,911,070)	(2,541,591,004)
Net Cash Flow From Operating Activities	Total (A)	60,214,719,238
Cash Flow From Investing Activities:		
Net (Incr)/Decr in Investment Securities	(34,268,671,890)	(107,116,652,501)
Gold & Silver	415,656,960	(1,641,890,673)
Purchase of Property, Plant & Equipment	(121,579,044)	(299,900,789)
Sale of Property, Plant & Equipment	106,185,093	107,211,240
Purchase of Intangible Assets	(1,133,672)	(688,508)
Dividend Income	62,332,657	62,991,715
Net Cash Flow From Investing Activities	Total (B)	(108,888,929,516)
Cash Flow From Financing Activities:		
Bank Note Issued	63,399,500,000	44,830,000,000
Increase/Decrease in ECF/RCF Loan & SDR Allocation	(147,565,089)	(2,229,664,568)
Interest paid on IMF Liabilities	(76,400,976)	(29,849,447)
Surplus Paid to GON	(7,500,000,000)	(7,250,000,000)
Net Cash Flow From Financing Activities	Total (C)	35,320,485,984
Net Cash Flow for the Year (A+B+C)	16,925,910,187	(13,353,724,294)
Revaluation Gain or Loss on Foreign Exchange	38,272,111,979	(23,752,795,700)
Cash and Cash Equivalent at the Beginning of the Year	791,970,600,508	829,077,120,501
Cash and Cash Equivalent at the end of the Year	847,168,622,674	791,970,600,508

As per our report of even date

Rishikesh Bhatta, CPA
Executive Director-Financial Management Dept.

Mr. Iswar Nepal
Deputy Auditor General

Board of Directors:

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Governor

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Board Member

Mr. Ramjee Regmi
Board Member

CA. Dr. Suvod Kumar Karn
Board Member

Date: 2075/09/20
Place: Kathmandu



NEPAL RASTRA BANK

Statement of Changes in Equity

For the Year ended on 32nd Asar, 2075 (16th JULY, 2018)

PARTICULARS	Capital		Statutory Reserve		Exchange Equilisation Fund	Gold & Silver Equilisation Reserve	Fair Value Reserve	Revaluation Reserve	Other Reserves	Retained Earning	Total
	General Reserve	Monetary Liability Reserve	Financial Stability Fund	Financial Stability Fund							
Balance as on 1st Shrawan 2073	3,000,000,000	23,734,999,885	4,197,513,998	-	82,574,493,598	10,188,767,853	3,260,806,370	859,740,259	14,833,266,228	(9,480,262)	142,651,588,192
Adjustment for Prior Period Adjustment						19,178,623,301	1,510,323,332		672,613,118	(9,480,262)	21,352,079,489
Restated Balance						29,367,391,154	4,771,129,702	859,740,259	15,507,879,346	(10,822,189,744)	164,003,667,681
Net Income for the year										(2,695,327,776)	(10,822,189,744)
Other Comprehensive Income										(2,695,327,776)	(2,695,327,776)
Appropriation of Net Income:											
To General Reserve	4,239,793,020									(4,239,793,020)	
To Monetary Liability Reserve		889,049,010								(889,049,010)	
To Financial Stability Fund			889,049,010		(23,752,795,700)					(889,049,010)	
To Exchange Equilisation Fund										23,752,795,700	
To Gold & Silver Equilisation Reserve						(6,767,810,406)				(6,767,810,406)	
To Revaluation Reserve								9,952,836		(9,952,836)	
To Fair Value Reserve							(797,324,711)			797,324,711	
To Other Reserve									4,260,354,385	(4,260,354,385)	
To Net Cumulative Surplus Fund									2,734,774	(2,734,774)	
Inter Fund Transfer:											
Gold & Silver to General Reserve											
General Reserve to Share Capital	(2,000,000,000)										
Other Reserve to General Reserve				1,000,000,000							
Other Reserve to Financial Stability Fund											
Balance Surplus Transfer to Government											
Balance as on 1st Shrawan 2074	5,000,000,000	25,974,792,905	5,086,563,008	1,889,049,010	58,821,697,898	22,599,580,748	3,973,804,991	869,693,096	18,770,968,505	(7,500,000,000)	142,986,150,163
Adjustment for Prior Period Income										4,578,041	4,578,041
Restated Balance										4,578,041	142,990,728,202
Net Income for the year										69,780,379,032	69,780,379,032
Other Comprehensive Income										528,106,702	528,106,702
Appropriation of Net Income:											
To General Reserve	6,794,952,019									(6,794,952,019)	
To Monetary Liability Reserve		1,512,606,009								(1,512,606,009)	
To Financial Stability Fund			1,512,606,009		38,272,111,979					(1,512,606,009)	
To Exchange Equilisation Fund										(38,272,111,979)	
To Gold & Silver Equilisation Reserve						3,618,022,578				(3,618,022,578)	
To Revaluation Reserve										955,264,382	
To Fair Value Reserve							(955,264,382)			(955,264,382)	
To Other Reserve									11,334,345,337	(11,334,345,337)	
To Net Cumulative Surplus Fund									97,610,812	(97,610,812)	
Inter Fund Transfer:											
Gold & Silver to General Reserve											
General Reserve to Share Capital											
Other Reserve to Retained Earning								(869,693,096)		873,926,586	
Other Reserve to General Reserve											
Balance Surplus Transfer to Government											
Balance as on 32nd Asar 2075	5,000,000,000	32,769,744,924	6,599,169,017	3,401,655,019	97,093,809,877	26,217,603,326	3,018,540,609	(0)	30,198,691,163	(9,000,000,000)	204,299,213,938

As per our report of event date

Board of Directors:

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Governor

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Secretary MOF/Board Member

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CA. Prabin D. Joshi
Prabin Joshi & Co.
Chartered Accountants

Date: 2075/09/20
Place: Kathmandu



NEPAL RASTRA BANK
Notes Forming part of Financial Statements
Fiscal Year 2074-75 (2017-18 AD)

1 General Information

Nepal Rastra Bank (hereinafter referred to as ‘NRB’ or ‘the Bank’), the Central Bank of Nepal, was incorporated under Nepal Rastra Bank Act, 2012 as superseded by NRB Act 2058 (amended on 2073). The Bank is domiciled in Nepal and its central office is located at Baluwatar, Kathmandu. The Bank’s jurisdiction is spread throughout the country. The main activities/objectives of the Bank include:

- a. Formulating necessary monetary and foreign exchange policies.
- b. Issuing of currency of circulation.
- c. Promoting stability and liquidity required in banking and financial sector.
- d. Developing a secure, healthy and efficient system of payment.
- e. Regulating, inspecting, supervising and monitoring the banking and financial system.
- f. Promoting entire banking and financial system of Nepal.

2 Basis of Preparation

2.1 Statement of Compliance

The financial statements are prepared in accordance with Nepal Financial Reporting Standards (NFRS) as issued by Accounting Standards Board, Nepal which are generally in compliance with the International Financial Reporting Standards as issued and applicable, except mentioned hereinafter. NFRS also includes interpretations (IFRIC and SIC) as issued by International Accounting Standards Board.

The financial statements include Statement of Financial Position, Statement of Net Income and Other Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement and Notes to Accounts. Assets and liabilities are presented in the Statement of Financial Position in the order of their liquidity. Expenses are classified as per their nature.

2.2 Responsibility of Financial Statements

The Board of Directors of the Bank is responsible for preparation and presentation of the bank’s financial statements and for the estimates and judgments used in them. The financial statements are approved by the Board Meeting held on 20th Poush 2075 (4th January 2019).

2.3 Functional and Presentation Currency

The financial statements are prepared in Nepalese Rupees (NRs.) which is the functional currency. All financial information presented in Nepalese Rupees has been rounded to the nearest rupee except otherwise indicated.

2.4 Fiscal Year

The financial statements relate to the fiscal year 2074/75 i.e. 1st Sawan 2074 to 32nd Asar 2075 corresponding to Gregorian calendar 16th July 2017 to 16th July 2018. The previous year was 1st Sawan 2073 to 31st Asar 2074 (16th July 2016 to 15th July 2017).

2.5 Use of Estimates, Assumptions or Judgments

The preparation of the financial statements in conformity with NFRS requires management to make judgment, estimates and assumption that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual result may differ from these estimates.

Estimated and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

Information about significant areas of estimates, uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are:

- Key assumptions used in discounted cash flow projections
- Measurement of defined benefit obligations
- Provisions and contingencies



NEPAL RASTRA BANK
Notes Forming part of Financial Statements
Fiscal Year 2074-75 (2017-18 AD)

- Determination of net realizable value
- Determination of useful life of the property, plants and equipment
- Determination of capitalization value and useful life of the intangible assets

2.6 Controlling Body

The controlling body of the Bank is the Government of Nepal (GoN) holding 100 percent of its capital. In the normal course of its operations, the Bank enters into following transactions with GoN and state controlled enterprises/entities:

- The Bank shall be the banker and financial advisor of Government of Nepal and a financial agent of the Government.
- Government of Nepal shall consult the Bank on any matters that are within the jurisdiction of its competence. It shall be the duty of the Bank to advice on matter consulted by the Government of Nepal.
- Government of Nepal shall, while preparing annual budget, consult the Bank on the domestic debt including overdrafts.
- The Bank shall submit a pre-budget review report to Government of Nepal each year on the economic and financial matters.

The Bank does not generally collect any commission, fees or other charges for services, which it renders to the Government or related entities except where agreement states otherwise.

3 Significant Accounting Policies

3.1 Basis of Measurement

The financial statements are prepared on a historical cost basis except for following material items.

Items	Measurement Basis
Non Derivative Financial Instrument at Fair value through profit or Loss	Fair value
Equity investments	Fair value
Gold & Silver Investment other than inventories	Fair value
Inventories (Including gold & silver kept for further processing)	Cost or Net Realisable value whichever is lower
Net defined benefit liability/(assets)-gratuity & pension fund and staff security fund	Fair value of plan assets less the present value of the defined benefit obligation

3.2 Basis of Consolidation

The Bank's investment in Rastriya Beema Samsthan and Agriculture Project Service Center is in excess of 50% of the paid up capital of those entities. These investments were made under the specific directives or policies of the Government of Nepal and other relevant statutes. Accordingly, the Bank did not exercise control or significant influence on the entities except for regulatory purposes. As the requirement of NFRS 10- Consolidated Financial Statements does not meet for consolidation, the consolidation of the financial statements of the subsidiaries is not done.

3.2.1 Basis of Accounting for Investment in Associates

The Bank's investment in Nepal Stock Exchange Ltd. and National Productivity and Economic Development Ltd. is in excess of 20% of the paid up capital of those entities. These investments were made under the specific directives or policies of the Government of Nepal and other relevant statutes. Accordingly, the Bank did not exercise significant influence on the entities except for regulatory purposes. As the requirement of NAS 28- Investments in Associates for being the associates of the bank does not meet, the equity accounting for such investment has not been done.



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3.3 Interest Income/(Expenses)

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Bank and the amount of revenue can be measured reliably. Expenses are accounted on accrual basis.

Interest income/(expenses) is recognized in Statement of Net Income and Other Comprehensive Income using the effective interest method when it is probable that the economic benefits associated with the transaction will flow to the Bank and the amount of revenue can be measured reliably.

The effective interest rate is the rate that exactly discount estimated future cash receipt or payment through expected life of the financial instrument or where appropriate a shorter period, to the net carrying amount of the financial asset and liability. While calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses. The calculation includes all amount paid or received by the Bank that are an integral part of the effective interest rate of the financial instrument, including the transaction costs and other premium or discounts.

Interest income on investments from certain banks and financial institutions which are declared as problematic and receipt of interest from which is not forthcoming are not recognized.

- i. Interest on financial assets and financial liabilities measured at amortized cost on an effective interest basis.
- ii. Interest on financial assets & financial liabilities through profit or loss
- iii. The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flow affect interest income/expenses; and
- iv. The effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

3.4 Non Interest Income

i. Fees and Commission income

Fees and commission income is earned for currency exchange and government transactions and other services. These are measured on accrual basis.

ii. Net trading income

Net trading income comprises gains less losses relating to trading assets and liabilities and included all realized and unrealized fair value changes.

iii. Net income from financial instruments designated at fair value

All gains and losses from the changes in the fair value of financial assets and liabilities designated at fair value are recognized through Net Income. Interest income and expenses and dividend income arising on these financial instruments are also included, except for interest arising from debt securities issued by the Bank, and derivatives managed in conjunction with those debt securities which is recognized in Interest expense.

Net income from other financial instrument at fair value through profit and loss related to non trading derivatives held for risk management purposes that do not form part of the qualifying hedge relationships are recognized through profit or loss. It includes realized and unrealized fair value changes, interest, dividend and foreign exchange differences.

iv. Other Income

- Balances unclaimed and outstanding for more than three clear consecutive accounting years in unclaimed account is written back to income.
- Dividend income is recognized when the right to receive income is established.
- Penal income is accounted on cash basis.
- Income and expenses are presented on a net basis only when permitted under NFRS.



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3.5 Leases

Payment made under operating leases are recognized in Statement of Net Income on straight line basis over the term of the lease.

3.6 Foreign Currency Transaction

Income and expenditure denominated in foreign currency are translated into Nepalese Rupees on the basis of exchange rate prevailing on the value date.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the rate of exchange prevailing on that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year/origination date, adjusted for effective interest and payment during the year and the amortized cost in the foreign currency translated at the rate of exchange at the reporting date.

Non monetary assets and liabilities that measured at fair value in a foreign currency are translated into the functional currency at the rate of exchange prevailing at the date on which the fair value is determined. Non monetary items that are measured based on historical cost in the foreign currency are translated using the rate of exchange on the date of transactions.

An amount equivalent to the net exchange gain /loss during the year is transferred to/from 'Exchange Equalization Fund' through Statement of Appropriation.

3.7 Income tax

Income of the NRB is exempted from taxes under section 8 of the NRB Act, 2058 as well as Section 10 of Income Tax Act, 2058.

3.8 Financial Assets and Financial Liabilities

i) Recognition

The Bank initially recognizes loans and advances, deposits, debt securities issued, subordinated liabilities on the date of which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognized on the trade date which is the date on which the Bank becomes a party to the contractual provisions of the instruments. A financial asset or financial liability is measured initially at fair value plus, or an item not at fair value through profit or loss, transactions costs that are directly attributable to its acquisition or issue.

ii) Classification

Financial assets:

The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash-flow characteristics. These factors determine whether the financial assets are measured at amortized cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL').

The Bank classifies its financial assets into one of the following categories:

- **At amortised cost:** Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments for which the Bank has intent and ability to hold till maturity. They are initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, Such financial assets are measured at amortized cost using effective interest rate method less any impairment losses.



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- **At fair value through profit or loss:** Financial assets are classified at fair value through profit or loss if the Bank manages such investments and makes purchases and sales decisions based on its fair value in accordance with investment strategy. Attributable transaction costs and changes in fair value are taken to revenue.

- **At fair value through other comprehensive income:** Financial assets at FVOCI are non-derivative financial assets that are designated as available-for-sale or not classified in any of the above category. Financial assets at FVOCI are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, financial assets are measured at fair value, as far as such fair value is available, and changes therein, other than impairment losses which are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, gain or loss accumulated in equity is reclassified to Statement of Net Income.

Financial liabilities

All financial liabilities are recognized initially on the trade date, which is the date that the bank becomes a party to the contractual provisions of the instrument except for Debt Securities which are initially recognized on the date that they are issued. A financial liability is derecognized when its contractual obligations are discharged, cancelled or expired. Non derivatives financial liabilities are classified into the other financial category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these financial liabilities are measured at amortized costs using effective interest rate method.

(iii) Derecognition

Financial assets:

The Bank derecognizes a financial assets when the contractual rights to the cash flow from the financial assets expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of the ownership of the financial assets are transferred or in which the Bank neither transfer nor retains substantially all of the risk and rewards of the ownership and it does not retain control of the financial assets.

On derecognition of a financial assets, the difference between the carrying amount of the assets (or the carrying amount allocated to the portion of the assets derecognized) and the sum of (i) the consideration received (including any new assets obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in Other Comprehensive Income (OCI) is recognized in income or expenditure. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate assets or liability.

Financial Liabilities

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

(iv) Offsetting

The financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when and only when, the bank has a legal right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.



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(v) Amortized cost measurement

The 'amortized cost' of a financial asset and financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between initial amount recognized and the maturity amount minus any reduction for impairment.

(vi) Fair value measurement

Fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties at an arm's length transaction. Quoted market values represent fair value when a financial instrument is traded in an organized and liquid market. Where quoted market values are not available, fair values are estimated by other techniques such as discounted cash flows.

(vii) Identification and measurement of impairment

Financial assets

At each reporting date the bank assesses the objective evidence that a financial asset or group of financial assets is impaired or not. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer
- breach of contract, such as default or delinquency by a borrower
- the Bank, for economic or legal reasons relating to the financial difficulties, grant to the borrower a concession that the lender would not otherwise consider
- indication that a borrower or issuer will enter bankruptcy;
- disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group or economic conditions that correlate with defaults in the group.

The amount of loss is measured as the difference between the asset's carrying amount and amount the management considers it as recoverable on the basis of financial position of the borrower or issuer and appropriate estimation made by the management. Appropriate provisions for possible losses on investments in shares, fixed deposits; and loans and advances have been made. Receivables considered as bad and irrecoverable are written off from the books of account and directly charged to Statement of comprehensive income.

In addition, for an investment in an unquoted equity security, a significant or prolonged decline in its book value is objective evidence of impairment.

Impairment losses are recognized in income or expenditure and reflected in an allowance account against loans and receivables or held to maturity investment securities. Impairment loss on financial instruments through other comprehensive income are a part of equity routed through Statement of OCI. Interest on the impaired assets continues to be recognized through the unwinding of the discount. If an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through income statement or statement of other comprehensive income.



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If, in a subsequent period, the fair value of an impaired financial instruments through other comprehensive income increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairing loss is reversed through income or expenditure; otherwise, any increase in fair value is recognized through OCI. Any subsequently recovery in the fair value of an impaired financial instruments through other comprehensive income is recognized through OCI. Any subsequent recovery in the fair value of such instruments is always recognized in OCI.

Non financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost and value in use. Provision for the assets such as Numismatic and Medallion coins and Non-moving metals are made on as per the indication of impairment. An impairment loss is recognized in Statement of Net Income. Provisions against impairment are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Changes in the provisions are recognized as income/expense in the statement of comprehensive income.

(viii) Designation at fair value through Profit or Loss.

The Bank has designated financial assets and financial liabilities at fair value through profit or loss in either of the following circumstances:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3.9 Cash and Cash Equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

3.10 Trading Assets and Liabilities

Trading assets and liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognized and subsequently measured at fair value in the statement of financial position with transactions cost recognized in income and expenditure. All changes in the fair value are recognized as part of the net trading income in income and expenditure.

3.11 Loans and Advances to Banks and Financial Institutions

Loans and advances to Banks and Financial Institutions include non derivative financial assets with fixed or determinable payments that are not quoted in an active market. The loan is provided by the Bank for short period under Standing Liquidity Facilities, refinance and other facilities.

3.12 Loan and Advances to Others

Loan and advances to others include loans to employees, interest receivable on financial instruments and advances to staff as well as parties. The Bank provides various types of loans to its employee as per the Staff Bylaws of the Bank. The loans are measured at amortised cost and difference amount between the principal and present value of the loan is charged as expenses under personnel expenses.



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3.13 Investment Securities

Investment securities are initially measured at fair value plus, in the case of investment securities not at fair value through profit or loss., incremental direct transaction cost, and subsequently accounted for depending on their classification as either amortised const, fair value through profit or loss, or fair value through other comprehensive income.

3.14 Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the supply of services or for administrative purpose.

3.15 Property and Equipment

i. Recognition and Measurement

Property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises purchase price including nonrefundable duties and taxes; and any directly attributable cost incurred in bringing the asset to their present location and condition necessary for it to be capable of operating in the manner intended by the management but excluding trade discounts and rebates. Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow in to the Bank. Ongoing repair and maintenance are expensed as incurred.

If significant part of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and carrying amount of the items) is recognized within other income in Statement of Net Income.

ii. Depreciation

Land is not depreciated. All other property, plant and equipment are depreciated from the date they are available for use or in respect of self-constructed assets, from the date that the construction is completed and ready for use. Depreciation is charged on straight-line method over the estimated useful life of current and comparative years of significant items of property, plant and equipment. Useful lives and residual values are reviewed on each reporting date and adjusted if required.

The estimated useful lives of the significant items of Property & Equipment are as follows:

Class of assets	Estimated useful life
Building	Above 33 years
Office and Computer Equipment	5 years
Fixtures and fittings	10 years
Machinery Equipment	5 years
Vehicles	5 years
Others	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

iii. Assets received in grant

Equipment acquired under grant is recognized as “Grant Assets” and included under respective head of property, plant and equipment with corresponding credit to “Deferred Grant Income” under the head of Other Liabilities.



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3.16 Intangible Assets

Intangible assets include software purchased by the bank. The intangible assets that are acquired by the Bank and have definite useful lives are measured at cost less accumulated amortization and any impairment losses. Costs incurred in the ongoing maintenance of software are expensed immediately as incurred. Subsequent cost on software is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Software, useful life of which have been defined by terms of contract or conditions for use are amortized on straight-line basis over the useful life of asset.

Software, useful life of which have not been clearly defined by terms of contract or condition of use as well have a definite useful lives due to technological obsolescence are amortized on straight-line basis over estimated useful life of ten years and five years for business application software and other software respectively.

3.17 Impairment of Non Financial Assets

At each reporting date, the Bank reviews the carrying amounts of its non financial assets to determine where there is an indication of impairment. If such indication exists, then the asset's recoverable amount is estimated.

Impairment losses are recognized in Statement of Net Income. Impairment loss is reversed only to the extent that assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized.

3.18 Gold and Silver at fair value

Gold & silver held as investment (paper gold as well as reserve gold/silver) is stated at market value and any appreciation or depreciation with respect to the cost is taken to/from "Gold and Silver Equalization Reserve" through Statement of Other Appropriation.

3.19 Inventories

Inventories are carried at cost or net realizable value whichever is less. Cost for inventories is determined under the weighted average method. Other stores except dispensary stock, various coin/metal stocks as well as printed notes are charged directly to Statement of Net Income. Durable goods with unit cost of twenty five thousand rupees or less are expensed off at the time of purchase.

Gold and silver stock physically held for minting and processing purpose are also treated as inventories and are carried at cost or net realizable value whichever is less. Cost for gold and silver is determined on the basis of specific identification of their individual cost (IAS 2.23).

3.20 Deposits and Borrowings

Deposits and borrowings (debt securities issued) are the source of funds of the bank in addition to its reserves.

Deposits and borrowings (including debts securities issued) are initially measured at fair value minus incremental direct transaction cost and subsequently measured at their amortized cost using the effective interest method, except where the Bank designates liabilities at fair value through profit or loss.

3.21 Provisions

A provision is recognized if as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at the pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.



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3.22 Employee Benefits

i. Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays a fixed contribution to a separate entity and has no legal or constructive obligation to pay future amounts. Obligations for contributions to defined contribution plans are recognized as employee benefit expense in profit or loss in the periods during which the related service are rendered by employees. Pre-paid contributions are recognized as an asset to the extent that cash refund or reduction in future payments is available. Contributions to a defined contribution plan being due for more than 12 months after the end of the period in which the employee render the service are discounted at their present value. Following are the defined contribution plan provided by the bank to its employees:

1) Contributory Retirement Fund: All permanent employees are entitled for participation in employee's Provident Fund (Retirement Fund) wherein the employees contribute at various rates of their current drawn salaries. The bank contributes 10% of basic salary to this fund, which is separately administered as a defined contribution plan as per Nepal Rastra Bank Staff By-Law 2068: Rule 78 Sub-rule 1(a) & 1(c). The Bank's obligations for contributions to the above Fund are recognized as an expense in Statement of Net Income as the related services are rendered.

2) Welfare Provident Fund: Certain amounts as prescribed by the Board are annually transferred to this fund, which is meant to be a defined contribution scheme for the welfare of the employees, as per Nepal Rastra Bank Staff By-Law 2068: Rule 78 Sub-rule 1(b) and 1(c). Contributions by the Bank are expensed in Statement of Net Income as the related services are accounted.

ii. Defined Benefits Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Bank's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods. That benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on corporate bonds, that have maturity dates approximating the terms of the Bank's obligation and that are denominated in the currency in which the benefits are expected to be paid.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. The Bank recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefits plans in employee benefit are expensed in Statement of Net Income. Remeasurements of the net defined benefit liability comprise actuarial gains and losses. The return on plan assets (excluding interest) and the effect of the assets ceiling (if any excluding interest) are recognized immediately in OCI. The Bank determines the net interest expense (income) on the net defined liability (assets) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefits liability (assets), taking into account any changes in the net defined benefits liability (asset) during the period as a result of contribution and benefits payments. Net interest expenses and other expenses related to defined benefit plans are recognized in personal expenses in Statement of Net Income.

Following are the defined benefit plans provided by the bank to its employees:



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1) Gratuity and Pension Scheme: Gratuity and Pension Scheme is a defined benefit obligation under which employees having service period of five years or more but less than twenty years are eligible for gratuity, which is based on last pay-scale of staff's existing designation and completed years of service. Similarly, employees having service period of twenty years or more are eligible for pension, which is based on last pay-scale of staff's existing designation and completed years of service. The bank measures the obligation of this plan as valued by a qualified actuary using projected credit method. All expenses related to defined benefits plans in employee benefit are expensed in Statement of Net Income.

2) Staff Security Fund: Staff Security Fund is defined benefit plan under which all the permanent employees are entitled to staff security fund at the time of retirement, death or termination from the service by any other circumstances at the predetermined factor prescribed by the bank, which is based on last drawn salary and completed years of service as per Nepal Rastra Bank Staff By-Law 2068: Rule 78 Sub-rule 1(e). Employees having service period of thirty years are eligible for maximum sixty three months salary. The bank measures the obligation of this plan as valued by a qualified actuary using projected credit method. All expenses related to defined benefits plans in employee benefit are expensed in Statement of Net Income.

3) Staff Medical Fund: Employees are eligible for medical benefits based on the specified slabs as per medical rules, last drawn salary and completed years of service, as per Nepal Rastra Bank Staff By-Law 2068: Rule 78 Sub-rule 1(d). Incremental liability is provided for and transferred to this Fund.

4) Leave Encashment: As per Nepal Rastra Bank Staff By-Law 2068: Rule 86,87 and 91, the employees are entitled to en-cash their un-utilized accumulated leave at the time of retirement or any other prescribed time as decided by the management of the bank. Home leave, Sick leave and Special Leave are defined benefit plans which are recognized when the leave remains un-availed at the time of closing date. Provision is created for liability on employees' leave based on obligation dischargeable to employees at balance sheet date.

iii. Other long term employee benefits

The group net obligation in respect of long term employee benefits is the amount of future benefits that employees earned in return or their service in the current and prior period. That benefit is discounted to determine its present value. Remeasurements are recognized in Statement of Net Income in the period in which they arise.

iv. Termination Benefits

The termination benefits are expensed at the earlier of which the Bank can no longer withdrawn the offer of those benefits and when the Bank recognizes costs for restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

v. Short term employee benefits

Short term employees benefits are expenses as the related services is provided. A liability is recognized for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and obligation can be estimated reliably.

3.23 Currency in Circulation



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Currency in circulation represents notes issued by the Bank as a sole currency issuing authority in Nepal. Currency notes issued by the Bank are legal tender under the NRB Act 2058. This represents the liability of the Bank towards the holder of the currency note. The liability for notes in circulation is recorded at face value in the balance sheet. These liabilities are secured by assets including foreign currency and foreign securities etc. as permitted by Nepal Rastra Bank Act 2058.

The Bank also issues coins of various denominations for circulation. Currency circulation liability does not include the liability on account of coins in circulation, as allowed by the Act.

3.24 Transactions on Repurchase Obligations (Repo) and Reverse Repo

Repurchase Arrangements (Repo) and Reverse Repo of securities are recorded as follows:

a) Securities sold subject to repurchase arrangements (Repo) are recorded as refinance and loan to banks. The obligation to repurchase is shown as liabilities for securities sold under agreement to repurchase and the difference between the sale and repurchase value is accrued on a pro rata basis and recorded as expense.

b) Securities purchased under agreements to resell ('reverse repos') are recorded as deposits and other balances of banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the statement of financial position.

3.25 Unclaimed Account

Unclaimed account under Sundry Liabilities represents amount that remained unclaimed and outstanding for more than two years. Amount outstanding for more than three years in unclaimed account is transferred to miscellaneous income in Statement of Net Income.

3.26 Bills Payable and Bills Receivable

The Bank carries out the function of repayment of Government securities and interest thereon on behalf of the GON. Bills Payable primarily represents the year-end un-disbursed or unadjusted amount of payments received from GON in respect of interest / repayment liabilities of such securities. The year-end balance of Bills Purchased represents the amounts paid by the Bank to the security holders but the corresponding claim adjustment with Bills Payable is pending.

3.27 Consolidation of Project Accounts

The Bank manages and implements various projects, which are helpful in attaining its objectives, on its own by entering into project agreement with the funding agencies or subsidiary loan agreements with Government of Nepal or on behalf of Government of Nepal (GON).

The projects for which the Bank has entered in to separate subsidiary loan agreements with Government of Nepal or has entered into separate project agreements with other funding agencies are consolidated with the Bank's account. For projects which are implemented by the bank on behalf of the GON, the accounts of these projects are not consolidated with bank's financial statements as the Bank has no obligation towards such projects or any other counter party and there is no right of the Bank in assets, liabilities, equity, income and expense of such projects. However, disclosure of financial and other information of such projects is given in the notes.

3.28 Changes in Accounting Policies



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There are changes in Accounting Policies of the bank in the current fiscal year to comply with the requirements of Nepal Financial Reporting Standards. The accounting policies that are changed and their impact in the financial statement has been shown below:

Particulars	Existing Policy	Revised Policy
Valuation of Gold & Silver at fair value	Cost	Fair Value
Valuation of unquoted equity instruments	Cost	Fair Value
Amortisation of staff loans	Cost	Amortised Cost
Amortisation of Investment in GON Zero Coupon Bond	Cost	Amortised Cost

3.29 Presentation

The presentation of certain line items of previous year financial statements have been changed (regrouped or rearranged) to align the financial statements.

4 Notes relating to items in the financial statements

4.1 Cash and Cash Equivalents

In line with the accounting policy as given in Note 3.9, balances of cash and cash equivalent at the reporting date are as below:

Particulars	32-03-2075	31-03-2074
Foreign Currency:		
Cash in Hand & at Vault	32,276,351,028	17,603,729,594
Balances with Other Banks	98,142,809,995	55,539,228,832
GOI Treasury Bills	235,503,932,213	230,966,596,496
US Government Treasury Bills	16,354,309,087	15,406,025,705
Time Deposit	454,376,878,804	462,162,752,642
Investment in FIXBIS	2,174,478,354	1,999,800,000
Investment in Repurchase Agreements	-	-
IMF Related Assets: SDR Holdings	164,054,814	171,322,848
Total Foreign Currency	838,992,814,295	783,849,456,116
Local Currency:		
Cash in Hand & at Vault	8,155,854,685	8,086,615,706
Balances with Other Banks	19,953,694	34,528,686
Total Local Currency	8,175,808,379	8,121,144,392
Total	847,168,622,674	791,970,600,508



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4.2 Loans and Advances to Bank & Financial Institutions

Please refer accounting policy in Note 3.11. The balances of loans and advances to banks and financial institutions (B/FIs) and microfinance (MFI) are as below:

Particulars	32-03-2075	31-03-2074
Refinance/Loans:		
Commercial Banks	11,756,876,381	6,094,782,647
Development Banks	221,000,000	501,370,772
Finance Companies	210,427,020	277,117,496
Loan to Micro Finance Institutions	42,000,000	64,000,000
Less: Allowance for impairment	(10,000,000)	(10,000,000)
Total	12,220,303,401	6,927,270,915
Allowance for impairment		
Balance as on 01-04-2074	10,000,000	10,000,000
Charge for the year	-	-
Effect of foreign currency movements	-	-
Unwind of discount	-	-
Balance as on 31-03-2075	10,000,000	10,000,000

These investments are realized on the settlement date as per the terms of loan agreement.

Details of type of refinance/loan provided to banks and financial institutions have been given below:

Particulars	Period	Refinance Rate	32-03-2075	31-03-2074
General Refinance	1 year	4%	9,993,957,858	5,909,405,146
Special/Export Refinance	1 year	1%	402,125,496	76,498,278
Zero Interest Loan	6 months	0%	1,824,220,046	941,367,491
Total			12,220,303,401	6,927,270,915

4.3 Loans and Advances to Others

Please refer accounting policy in Note 3.12. The balances are given as below:

Particulars	32-03-2075	31-03-2074
Receivable from GON against payment to IMF	-	2,431,416,400
Balance with Asian Clearing Union (ACU)	193,763,757	-
Gross Loans to Employees	4,783,283,731	4,076,871,800
Less: Amortisation Adjustment	(1,246,720,971)	(1,014,071,321)
Net Loans to Employees	3,536,562,760	3,062,800,479
Interest Receivable		
Australian Dollar	85,362,439	124,252,489
Canadian Dollar	15,723,868	6,525,459
Yuan Ren-Min-Bi (China)	1,121,904,696	879,959,238
Nepalese Rupee	3,070,689,979	2,338,921,183
Pound Sterling	9,824,167	14,111,143
United States Dollars	1,486,543,397	968,282,203
Interest Receivable	5,790,048,546	4,332,051,715



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Advances Recoverable

Advance to Staff	12,017,500	13,417,329
Sundry Debtors	403,752,167	295,903,370
Prepaid Expenses	945,099	329,301
Pension Advance Account	2,393,372,855	1,898,719,290
Staff Endowment Policy Advance	9,977,500	9,180,000
Other	461,548	373,087
Less: Impairment Allowance	(2,335,832)	(10,329,878)
Net Advances Recoverable	2,818,190,838	2,207,592,500
Total	12,338,565,901	12,033,861,094

Loans and advances to employees are provided with/without collateral.

4.4 Gold & Silver at Fair Value

Please refer accounting policy in Note 3.18. The balances are gives as below:

Particulars	32-03-2075	31-03-2074
Investment in Paper Gold	28,078,523,145	25,929,438,227
Gold Held in Stock at Fair Value	9,514,334,427	8,877,440,582
Silver Held in Stock at Fair Value	7,874,610,236	7,458,223,381
Total	45,467,467,808	42,265,102,190

4.5 Investment Securities

Please refer accounting policy in Note 3.13. The balances are given as below:

Particulars	32-03-2075	31-03-2074
At Amortized Cost	229,454,754,044	195,401,196,610
At Fair Value through Other Comprehensive Income (OCI)	3,529,820,109	4,185,070,491
At Fair Value through Profit or Loss		
Total	232,984,574,153	199,586,267,101

a) Investment Securities at Amortized Cost

Particulars	32-03-2075	31-03-2074
Government Treasury Notes/Bonds(USD)	65,546,403,362	71,944,021,840
Government Treasury Notes/Bonds (CNY)	58,989,291,902	57,002,585,312
Investment in Mid term Instruments (MTI)	8,387,708,224	8,082,347,421
Notice Deposit (JPY)	18,701,060,000	8,426,240,000
Government Bond (GON)	216,672,667	4,871,051,043
Fixed deposit with Bank & Financial Institutions	3,585,959,000	3,611,214,903
Government Treasury Bills (GON)	25,600,825,674	30,158,502,599
Saving Certificates (GON)	48,427,193,215	11,382,487,396
Investment in Rural Self Reliance Fund	253,400,000	253,400,000
Less individual allowance for impairment	(253,760,000)	(330,653,903)
Total	229,454,754,044	195,401,196,610



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Impairment Loss on Available for Sale Investment Securities

Balance as on 01-04-2074	330,653,903	414,829,000
Charge for the year	-	-
Reversal of Impairment	(76,893,903)	(84,175,097)
Balance as on 31-03-75	253,760,000	330,653,903

Interest amount of Rs.8,56,52,051.37 has been accrued on deposit amounting Rs.25,37,60,000.00 made in problematic financial institution and the same hasn't been booked as income.

b) Investment Securities at Fair Value through OCI	32-03-2075	31-03-2074
Quoted equity securities	1,448,320,962	2,575,028,961
Unquoted equity securities	2,088,999,147	1,617,541,530
Less: Allowance for impairment of equity securities	(7,500,000)	(7,500,000)
Total	3,529,820,109	4,185,070,491

Impairment Loss on Investment Securities		
Balance as on 01-04-2074	7,500,000	47,550,000
Charge for the year	-	-
Reversal of Impairment	-	(40,050,000)
Balance as on 32-03-75	7,500,000	7,500,000

The Bank does not have investment securities to be measured at fair value through profit or loss.

Impairment allowance has been done for the investment in Agricultural Project Service Center, which is in liquidation and National Productivity and Economic Development Center, whose financial condition is weak .

I) Investment in quoted equity securities includes the following:

Particulars	32-03-2075	31-03-2074
RMDC Laghubitta Bittiya Sanstha Ltd.	95,881,291	140,334,584
Citizen Investment Trust	1,298,216,945	2,341,151,989
Grameen Bikas Laghubitta Bittiya Sanstha Ltd.	54,222,726	93,542,387
Total	1,448,320,962	2,575,028,961

The shares investment in RMDC Laghubitta Bittiya Sanstha Ltd. has been revalued on the basis of latest trading price of promoter share of respective institution in stock market. In absence of trading of promoter share of Citizen Investment Trust & Grameen Bikas Laghubitta Bittiya Sanstha Ltd, we have considered ratio of share price of promoter share & general share of RMDC .

II) Investment in unquoted equity securities includes the following:

Particulars	32-03-2075	31-03-2074
Agricultural Project Services Centre	5,000,000	5,000,000
Rastriya Beema Sansthan - Life Ins.	1,000,000	1,000,000
Nepal Stock Exchange Ltd.	1,046,014,465	1,094,822,589
National Productivity and Eco. Dev.	2,500,000	2,500,000
Deposit & Credit Guarantee Fund	884,055,389	402,429,639
Nepal Clearing House	47,178,000	32,017,500
Credit Information Bureau	82,899,198	64,047,802
National Banking Institute	20,352,096	15,724,000
Total	2,088,999,147	1,617,541,530



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Fair Value of the shares investment in unquoted equity securities has been arrived based on the latest available audited financial statement of respective entities. Further disclosure has been given in point 5.6.1.2 (i).

III) Selection of Presentation criteria

Investment Securities at fair value through other comprehensive income includes the investment in equity instruments which were made under specific directives or policies of the Government of Nepal and other relevant statutes and are not held for trading purpose. Accordingly, the bank has made an irrevocable election to present those in investment securities at fair value through other comprehensive income.

4.6 Inventories

Please refer accounting policy in Note 3.19. The details of balance are as follows:

Particulars	32-03-2075	31-03-2074
Gold Held in Stock at Cost	2,114,210,086	1,585,140,989
Silver Held in Stock at Cost	66,380,138	70,936,846
Security Note Stock	1,440,296,928	1,123,201,889
Coin Stock	203,718,006	295,282,162
Numismatic and Medallion Coins	22,906,167	22,909,158
Other Metal Stock	22,487,221	22,485,598
Dispensary Stock	53,838	499,863
Total Inventories	3,870,752,384	3,120,456,506
Less: Impairment Allowance		
Non-moving Numismatic and Medallion Coins	(22,465,794)	(22,465,794)
Non-moving Other Metal Stock	(8,716,000)	(8,716,000)
Unissuable Note Stock	(3,775,258)	(3,775,258)
Total Allowance for Impairment	(34,957,052)	(34,957,052)
Total Inventories Net of Allowance for Impairment	3,835,795,333	3,085,499,454



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4.7 Property and equipment

Please see accounting policy in Note 3.15. The details are given as below:

Particulars	Land	Building	Computer & Accessories	Vehicles	Machinery Equipment	Office Equipment	Furniture and Fixture	Other Assets	Capital Work in Progress	Total Assets
Depreciation Rate		3%	20%	20%	20%	20%	10%	20%		
Original Cost										
Balance as on 1 st Sawan 2073	193,834,552	667,425,475	192,033,197	240,640,931	107,885,178	23,335,929	22,965,582	4,857,811	33,835,786	1,586,814,440
Addition during the Year		60,364,846	51,367,607	76,558,835	5,202,260	24,851,729	21,180,905	27,685	60,346,922	299,900,789
Disposal/Write Off/ Adjustment			(22,747,161)	(39,984,574)	(2,588,349)	(5,552,942)	(459,374)	(1)	(74,982,788)	(146,315,189)
Balance as on 31 st Asar 2074	193,834,552	727,790,321	220,653,643	277,215,192	110,499,089	142,634,716	43,687,113	4,885,495	19,199,920	1,740,400,040
Balance as on 1 st Sawan 2073	-	262,872,890	122,092,509	132,049,863	101,133,896	87,628,222	16,807,061	4,525,040	-	727,109,481
Depreciation for the Year		20,085,014	21,879,389	31,185,001	2,551,287	11,806,534	772,357	81,772	-	88,361,354
Disposal/Write Off/ Adjustment			(22,465,067)	(14,271,809)	(2,588,335)	(5,395,026)	(459,364)	(35,246)	-	(45,214,847)
Balance as on 31 st Asar 2074	-	282,957,904	121,506,831	148,963,055	101,096,848	94,039,730	17,120,054	4,571,566	-	770,255,988
Net Book Value as on 31st Asar 2074	193,834,552	444,832,416	99,146,812	128,252,138	9,402,240	48,594,986	26,567,058	313,929	19,199,920	970,144,052
Original Cost										
Balance as on 1 st Sawan 2074	193,834,552	727,790,321	220,653,643	277,215,192	110,499,089	142,634,716	43,687,113	4,885,495	19,199,920	1,740,400,040
Addition during the Year		47,691,347	5,910,888	25,458,900	3,375,485	20,776,595	5,680,699	386,900	12,298,230	121,579,044
Disposal/Write Off/ Adjustment		-	(7,332,103)	(32,822,048)	(2,962,132)	(5,991,699)	(40,071)	-	(28,893,387)	(78,041,440)
Balance as on 32 nd Asar 2074	193,834,552	775,481,668	219,232,429	269,852,044	110,912,442	157,419,612	49,327,740	5,272,395	2,604,763	1,783,937,644
Balance as on 1 st Sawan 2074	-	282,957,904	121,506,831	148,963,055	101,096,848	94,039,730	17,120,054	4,571,566	-	770,255,988
Depreciation for the Year		22,088,573	28,724,334	37,436,064	2,807,682	15,819,511	3,413,180	97,773	-	110,387,117
Disposal/Write Off/ Adjustment		-	(5,582,765)	(31,568,583)	(2,962,128)	(5,550,313)	(40,068)	-	-	(45,703,855)
Balance as on 32 nd Asar 2075	-	305,046,477	144,648,400	154,830,536	100,942,403	104,308,928	20,493,167	4,669,339	-	834,939,250
Net Book Value as on 32nd Asar 2075	193,834,552	470,435,191	74,584,028	115,021,508	9,970,039	53,110,683	28,834,574	603,056	2,604,763	948,998,394



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4.8 Intangible assets and goodwill

Please refer accounting policies in Notes 3.16. The details of balance are as follows:

Particulars		Computer Software			Total Assets
		Other Useful Life		Capital Work in Progress	
Useful Life Defined by Contractual Agreements					
Amortisation Rate			20%	10%	
Original Cost	Balance as on 1 st Sawan 2073	1,763,930	10,359,743	229,272,935	241,396,608
	Addition during the Year		785,408		785,408
	Disposal/Write Off/Adjustment				-
	Balance as on 31 st Asar 2074	1,763,930	11,145,151	229,272,935	242,182,016
Accumulated Amortisation	Balance as on 1 st Sawan 2073	980,838	7,061,222	72,603,096	80,645,156
	Depreciation for the Year	261,004	1,102,597	22,927,293	24,290,894
	Disposal/Write Off/Adjustment				-
	Balance as on 31 st Asar 2074	1,241,842	8,163,818	95,530,390	104,936,050
Net Book Value as on 31st Asar 2074		522,088	2,981,332	133,742,545	137,245,966
Original Cost	Balance as on 1 st Sawan 2074	1,763,930	11,145,151	229,272,935	242,182,016
	Addition during the Year		1,133,672		1,133,672
	Disposal/Write Off/Adjustment				-
	Balance as on 32 nd Asar 2075	1,763,930	12,278,823	229,272,935	243,315,688
Accumulated Amortisation	Balance as on 1 st Sawan 2074	1,241,842	8,163,818	95,530,390	104,936,050
	Depreciation for the Year	258,420	1,179,021	22,927,292	24,364,734
	Disposal/Write Off/Adjustment				-
	Balance as on 32 nd Asar 2075	1,500,262	9,342,840	118,457,682	129,300,783
Net Book Value as on 32nd Asar 2075		263,668	2,935,983	110,815,253	114,014,904

4.9 Other Assets

Particulars	32-03-2075	31-03-2074
Deposits	1,663,378	1,663,378
Project Assets	6,661,172	1,101,098
Other Receivables	8,987,683	60,250,889
Total	17,312,233	63,015,365



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4.10 Deposits from banks and financial institutions

See accounting policy in Note 3.20. The details of balance are as follows:

Particulars	32-03-2075	31-03-2074
Foreign Currency	3,114,280,834	3,460,173,528
Local Currency	205,001,961,421	208,119,189,745
Total	208,116,242,256	211,579,363,272

Deposit from bank and financial institutions include amount deposited by Bank & Financial Institutions for cash reserve ratio (CRR), among others. All deposits are non interest bearing.

4.11 Deposits from Others

See accounting policy in Note 3.20. The details of balance are as follows:

Particulars	32-03-2075	31-03-2074
Foreign Currency:		
Public Enterprises	404,716,417	408,582,097
Other Organisations	540,140	621,156
Total Foreign Currency	405,256,557	409,203,253
Local Currency:		
Public Enterprises	12,495,870,285	15,839,648,424
Margin Deposit in LCs	11,877,413,870	6,316,051,238
Other Organisations	701,067,264	4,439,553,402
Total Local Currency	25,074,351,419	26,595,253,064
Total	25,479,607,975	27,004,456,317

All deposits are non interest bearing and current in nature.

4.12 Short Term Borrowings

See accounting policy in Note 3.20. The details of balance are as follows:

Particulars	32-03-2075	31-03-2074
NRB Bonds	-	-
Deposit Collection-Auction	44,550,000,000	14,400,000,000
Reverse Repo Liabilities	-	-
Total	44,550,000,000	14,400,000,000

NRB Bonds, Deposit Collection under auction and Reverse Repo liabilities are instruments used by the Bank to withdraw liquidity from the market on short term basis (less than one year).



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4.13 IMF Related Liabilities

Particulars	32-03-2075	31-03-2074
Foreign Currency:		
Special Drawing Right Allocation	10,475,488,916	9,769,636,572
Interest Bearing Loan :		
Loan under Rapid Credit Facility (RCF)	1,754,847,008	2,454,904,632
Loan under Extended Credit Facility (ECF)	-	153,359,809
Total Foreign Currency	12,230,335,924	12,377,901,013
Local Currency:		
IMF Account No 1	9,443,743,425	9,180,925,768
IMF Account No 2	878,742	858,681
Total Local Currency	9,444,622,167	9,181,784,449
Total	21,674,958,091	21,559,685,462

4.14 Staff Liabilities

See accounting policy in Note 3.22. The details of balance are as follows:

Particulars	32-03-2075	31-03-2074
Medical Fund (Includes Medical Earning Fund, Interest, etc)	593,320,954	669,763,754
Welfare Provident Fund	518,419,539	487,900,116
Liability for Staff Leave Encashment	981,879,599	972,344,883
Liability for Retired Staff	527,358,878	435,323,511
Gratuity and Pension Fund	18,710,462,476	18,451,547,560
Less: Plan Assets	(19,391,142,000)	(15,975,407,000)
	(680,679,524)	2,476,140,560
Staff Security Fund	2,168,339,774	2,673,590,776
Less: Plan Assets	(2,013,600,000)	(1,923,466,000)
	154,739,774	750,124,776
Total	2,095,039,220	5,791,597,601

4.15 Other liabilities

Particulars	32-03-2075	31-03-2074
Interest Payable	20,957,582	12,622,370
Asian Clearing Union	-	166,188,403
Earnest Money	-	-
Insurance Premium Collected from Staff	95,731,091	127,429,554
Other Payables of Project	30,501	1,455,464
Payable against GON Bonds	-	-
Unclaimed Account	84,855,262	37,382,275
General Account	6,978,943	47,278,943
Deferred Grant Income	123	123
Other Liabilities	1,000,999,709	849,107,150
Total	1,209,553,211	1,241,464,281



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4.16 Currency in Circulation

See accounting policies in Notes 3.23. The details of balance are as follows:

The denomination wise amounts of currency note issued by the bank and are in circulation at the balance sheet date was as follows:

Denomination	32-03-2075	31-03-2074
1	161,067,956	161,110,983
2	185,513,184	185,708,612
5	2,403,814,900	2,184,133,530
10	3,673,117,530	3,344,261,790
20	4,523,894,180	3,961,314,460
25	57,347,350	57,462,375
50	8,550,438,650	7,396,195,550
100	17,206,082,500	15,254,496,700
250	87,427,750	87,459,000
500	101,386,029,000	95,113,527,000
1000	356,154,767,000	303,244,330,000
Total	494,389,500,000	430,990,000,000

The currency in circulation at the end of the reporting period included cash-in-hand NRs. 8,155,854,685 (P.Y. NRs. 8,086,615,706).

4.17(a) Appropriation of Net Income/(Expenditure) and Surplus payable to Government of Nepal

The Board of Directors of the Bank has appropriated the following amount to different funds during the year as required by Nepal Rastra Bank Act, 2058 and the balance amount will be paid to GON as per the said Act.

Particulars	F.Y 2074-75	F.Y 2073-74
Net Income/(Expenditure) for the year	69,780,379,032	(10,822,189,744)
Foreign Exchange Gain/(Loss) - Unrealised	(38,272,111,979)	23,752,795,700
Net Gold and Silver Revaluation Gain/(Loss)	(3,618,022,578)	6,767,810,405
Securities Revaluation Gain/(Loss)	-	(9,952,836)
Actuarial gain (Loss) in defined benefit Retirement Schemes	1,483,371,084	(1,898,003,065)
Surplus/(Deficit) Due to Restatement of Prior Period Errors	4,578,042	(23,278,046)
Reversal of Project Split Interest Reserve Fund	4,233,491	-
Reversal of Investment Revaluation Reserve	869,693,096	-
Reversal of Net Cumulative Surplus Fund	-	13,797,783
Surplus Available for Distribution	30,252,120,186	17,780,980,197
Less: Appropriations		
General Reserve	(6,794,952,019)	(4,239,793,019)



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Monetary Liability Reserve	(1,512,606,009)	(889,049,010)
Financial Stability Fund	(1,512,606,009)	(889,049,010)
Development Fund	(11,000,000,000)	(4,160,000,000)
Development Finance Project Mobilisation Fund	(18,958,350)	-
Banking Development Fund	(110,000,000)	(30,000,000)
Mechanisation Fund	(150,000,000)	-
Gold Replacement Fund	(55,386,987)	(70,354,384)
Net Cumulative Surplus Fund	(97,610,812)	(2,734,774)
Balance Payable to Government of Nepal	9,000,000,000	7,500,000,000

Board of Directors of Nepal Rastra Bank decides for appropriation in different funds and surplus amount left after appropriation is to be transferred to Government of Nepal as per Nepal Rastra Bank Act, 2058, clause no. 41(1)(ga). Hence the surplus payable to GON is shown as liability.

4.17 (b) Reserves & Surplus

The balance of balance sheet on reporting date stands as below:

Particulars	32-03-2075	31-03-2074
Capital Reserve:		
Gold and Silver Equalization Reserve	26,217,603,326	22,599,580,748
Statutory Reserve:		
General Reserve	32,769,744,924	25,974,792,905
Monetary Liabilities Reserve	6,599,169,017	5,086,563,008
Financial Stability Fund	3,401,655,019	1,889,049,010
Exchange Equalization Fund	97,093,809,877	58,821,697,898
Net Cumulative Surplus Fund	772,144,294	674,533,482
Other Reserves and Funds:		
Development Fund	26,000,989,244	15,000,989,244
Banking Development Fund	1,001,941,806	891,941,806
Development Finance Project Mob. Fund	269,772,761	250,814,411
Mechanisation Fund	1,141,316,414	991,316,414
Scholarship Fund	61,594,504	61,594,504
Mint Development Fund	547,712,943	547,712,943
Gold Replacement Fund	149,819,200	94,432,213
Investment Revaluation Reserve	-	869,693,096
Rural Self Reliance Fund (GS Kosh)	253,400,000	253,400,000
Fair Value Reserve for Equity Instruments	3,018,540,609	3,973,804,991
Project Split Interest Reserve Fund	-	4,233,489
Total Reserves and Funds	199,299,213,938	137,986,150,161

Further descriptions of each fund has been given in disclosure no. 5.8



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4.18 Interest Income

See accounting policy 3.3 . Interest income include the following:

Particulars	F.Y 2074-75	F.Y 2073-74
Foreign Currency Financial Assets		
Income on Bonds/Treasury Bills	17,779,430,091	16,654,739,704
Income from Fixed Term Deposit	9,789,862,243	6,504,367,502
Interest Income from Foreign Gold Deposit	365,128,103	386,386,367
Interest Income on Call Deposit	450,356,670	226,824,686
SDR Holding & Asian Clearing Union Income	-	-
Sub-total	28,384,777,107	23,772,318,259
Local Currency Financial Assets		
Government Securities	2,946,647,805	697,924,841
Investment in Financial and Other Institutions	515,394,605	377,951,007
Loans and Refinance	584,316,107	393,064,528
Sub-total	4,046,358,517	1,468,940,375
Total Interest Income from Financial Assets	32,431,135,623	25,241,258,635

4.19 Interest Expenses

See accounting policy in Note 3.3. Interest expenses include the following:

Particulars	F.Y 2074-75	F.Y 2073-74
Foreign Currency Financial Liabilities		
SDR Allocation & ECF Loan	76,400,976	29,849,447
Others	9,641,494	4,431,536
Sub-total	86,042,470	34,280,983
Local Currency Financial Liabilities		
Deposit Collection	64,704,506	39,395,259
Reverse Repo	5,875,790	19,473,063
NRB Bond	-	385,315,616
Sub-total	70,580,296	444,183,938
Total Interest Expense on Financial Liabilities	156,622,766	478,464,921

4.20 Fee and commission income

See accounting policy in Note 3.4(i). Fee and commission income include the following:

Particulars	F.Y 2074-75	F.Y 2073-74
Foreign Currency Financial Assets		
On Currency Exchange	1,233,655	1,308,856
Sub-total	1,233,655	1,308,856
Local Currency Financial Assets		
Government Transaction & Other services	98,918,535	65,686,161
Sub-total	98,918,535	65,686,161
Total Commission Income from Financial Assets	100,152,190	66,995,017

4.21 Fee and commission expense



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Particulars	F.Y 2074-75	F.Y 2073-74
Foreign Currency Liabilities		
Commission & Charges	24,473,751	26,725,375
Sub-total	24,473,751	26,725,375
Local Currency Liabilities		
Agency Expenses	491,651,891	224,604,342
Sub-total	491,651,891	224,604,342
Total Agency and Service Charge	516,125,642	251,329,717
Agency Expenses Includes Agency Commission Paid to the Following Banks for Operating Government Accounts.		
Nepal Bank Ltd.	55,800,000	55,800,000
Rastriya Banijya Bank	90,600,000	90,600,000
Agriculture Development Bank	7,500,000	1,875,000
Total	153,900,000	148,275,000

4.22 Other Income

See accounting policies in Notes 3.4 (iv). Other income comprises the following:

Particulars	F.Y 2074-75	F.Y 2073-74
Income from Mint (Sale of Coin)	264,545	234,121
Gain from Sale of Precious Metals and Coins	62,539,138	79,630,308
Fine/Penalty Charge	114,285,634	6,267,929
Profit from Sale of Assets	73,847,508	6,110,898
Dividend Income	62,332,657	62,991,715
Project Income/(Loss)	18,958,350	(1,483,255)
Grant Income	-	-
Miscellaneous	97,495,472	48,215,861
Total	429,723,304	201,967,577

4.23 Personnel expenses

See accounting policy in Note 3.22 (v). Personnel expenses include the following:

Particulars	F.Y 2074-75	F.Y 2073-74
Salary	599,390,594	668,050,312
Allowances	593,896,207	619,225,921
Provident Fund Contribution	59,939,060	66,805,031
Staff Welfare (Including Medical Fund Contribution)	178,867,499	610,462,316
Staff Welfare Provident Fund	446,500,000	405,955,000
Pension & Gratuity Fund	550,602,809	1,077,681,285
Staff Security Fund	190,052,952	425,663,159
Staff Leave Compensation	253,157,179	295,381,969
Finance Cost under NFRS on Staff Loan	403,369,767	94,659,093
Others	22,773,230	19,106,813
Total	3,298,549,296	4,282,990,897

4.24 Depreciation, amortisation and impairment of non financial assets

Particulars	F.Y 2074-75	F.Y 2073-74
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Depreciation on Property & Equipment	110,387,117	88,361,354
Impairment of Property & Equipment	-	-
Amortisation of intangible assets	24,364,734	24,290,894
Impairment of intangible assets	-	-
Total	134,751,851	112,652,248

4.25 Operating expenses

Particulars	F.Y 2074-75	F.Y 2073-74
Directors Fees and Expenses	6,200,085	6,067,847
Note Printing Charges	947,474,424	938,702,726
Mint Expenses	1,102,497	382,261
Security charges	55,876,464	54,932,925
Remittance Charges	54,067,690	52,977,498
Travelling Expenses	242,822,895	245,131,878
Insurance Charges	97,153,904	86,868,095
Repair & Maintenance	79,089,740	62,052,440
Banking Promotion	55,506,586	51,982,154
Audit Fees and Expenses	2,941,611	2,120,983
Assets Written Off	481,848	352,037
Utilities Expenses	42,407,231	39,608,373
Postal and Communication Expenses	15,327,847	14,650,010
House Rent	2,774,094	12,048,603
Training Seminar and Membership	39,302,916	17,404,290
Expenses on Miscellaneous Assets	6,275,112	16,668,954
Consumable Expenses	19,715,989	23,134,887
Books and Periodicals	8,526,003	9,218,693
Finance Cost under NFRS on GON Bonds	46,804,273	-
Miscellaneous Expenses	115,447,691	107,056,172
Total	1,839,298,902	1,741,360,826



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5. Significant Disclosures

5.1. Gold and Silver

The bank has been holding gold and silver for reserve purpose as well as for minting purpose. The gold and silver held for reserve purpose, being the financial assets, has been measured at fair value and the gold and silver held for minting purpose, being the inventories of the bank, has been measured at lower of cost or net realizable value.

The gold and silver measured at fair value along with its quantity is as follows:

Particulars	As on 32 nd Asar 2075		As on 31 st Asar 2074	
	Weight (Kg, Gm, Mg)	Total Fair Value (NRs.)	Weight (Kg, Gm, Mg)	Total Fair Value (NRs.)
Investment in Paper Gold	5,863.058993	28,078,523,145	5,863.054272	25,929,438,227
Gold held in Stock	1,953.662100	9,514,334,427	1,953.662100	8,877,440,582
Silver held in Stock	122,466.722182	7,874,610,236	122,466.722182	7,458,223,381
Total		45,467,467,808		42,265,102,190

Fair value for gold and silver was based on the closing rate prevailing in London Market and Nepal Gold & Silver Dealer's Association respectively. For gold physically held with the bank, the rate for Tejabhi Gold has been considered for the purpose of fair value.

Minting Division of the bank has held gold and silver for minting purpose and is treated as inventories kept for further processing/minting. The inventories are measured at lower of cost or net realizable value. The gold and silver held by the bank as inventories is as follows:

Particulars	As on 32 nd Asar 2075		As on 31 st Asar 2074	
	Weight (Kg, Gm, Mg)	Value (NRs.)	Weight (Kg, Gm, Mg)	Value (NRs.)
Gold held in Stock	781.311607	2,114,210,086	662.040551	1,585,140,989
Silver held in Stock	3614.048202	66,380,138	3,724.266768	70,936,846
Total		2,180,590,224		1,656,077,835



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5.2. Yearend Exchange Rates

The year-end exchange rates of Rupees for major currencies used for reinstating the balances of foreign currency assets and liabilities were as per below.

S.N.	Currency	Current Year	Previous Year
1	US Dollar	109.34	102.86
2	UK Pound Sterling	144.71	133.32
3	Euro	127.77	117.40
4	Swiss Franc	109.15	106.22
5	Australian Dollar	81.21	79.80
6	Canadian Dollar	83.10	80.80
7	Singapore Dollar	80.06	74.83
8	Japanese Yen	0.973	0.908
9	Chinese Yuan	16.34	15.16
10	Saudi Arabian Riyal	29.16	27.43
11	Qatari Riyal	30.03	27.69
12	Thai Baht	3.28	3.04
13	UAE Dirham	29.77	28.01
14	Malaysian Ringgit	26.99	23.97
15	South Korean Won	0.0967	0.0907
16	Swedish Kroner	12.31	12.33
17	Danish Kroner	17.14	15.79
18	Hong Kong Dollar	13.93	13.17
19	Kuwait Dinar	361.34	339.36
20	Bahrain Dinar	290.03	272.69
21	SDR	153.826	143.461
22	Indian Rupees	1.60	1.60



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5.3. Related Parties and Transactions with them

5.3.1. Key Management Personnel

The key management personnel are those persons having authority and responsibility of planning, directing and controlling the activities of the entity, directly or indirectly including any director. The key management of the Bank includes members of its Board of Directors and Special Class Officers (Executive Directors). The name of the key management personnel who were holding various positions in the office during the year were as follows:

S.N.	NAME	POST	REMARKS	
1	Dr. Chiranjibi Nepal	Governor	2071.12.08	
2	Shanta Raj Subedi	Finance Secretary/Board Member	2073.05.24	retired w.e.f.2074.07.02
3	Shanker Prashad Adhikari	Finance Secretary/Board Member	2074.07.03	retired w.e.f.2074.12.25
4	Dr. Rajan Khanal	Finance Secretary/Board Member	2074.12.26	
5	Chinta Mani Siwakoti	Deputy Governor	2072.11.19	
6	Shiba Raj Shrestha	Deputy Governor	2072.11.19	
7	Dr. Sri Ram Poudyal	Board Member	2074.01.03	
8	Ramjee Regmi	Board Member	2074.01.03	
9	Bal Krishna Man Singh	Board Member	2069.05.24	retired w.e.f.2074.11.03
10	CA.Dr. Suvod Kumar Karn	Board Member	2075.01.11	
11	Narayan Prasad Paudel	Executive Director	2069.06.07	
12	Nara Bahadur Thapa	Executive Director	2070.03.03	
13	Janak Bahadur Adhikari	Executive Director	2070.08.11	
14	Bhisma Raj Dhungana	Executive Director	2071.05.15	
15	Laxmi Prapanna Niroula	Executive Director	2071.05.15	
16	Shankar Prashad Acharya	Executive Director	2071.08.18	
17	Maheshwor Lal Shrestha	Executive Director	2072.07.16	
18	Bhuban Kadel	Executive Director	2072.12.03	
19	Dr.Nephil Matangi Maskay	Executive Director	2073.01.12	
20	Upendra Kumar Paudel	Executive Director	2073.04.23	
21	Dr. Bhubanesh Prasad Pant	Executive Director	2073.06.01	
22	Neelam Dhungana(Timsina)	Executive Director	2074.02.14	
23	Jhalak Sharma Acharya	Executive Director	2074.09.19	
24	Dev Kumar Dhakal	Executive Director	2074.12.14	
25	Mukunda Kumar Chhetri	Executive Director	2074.12.14	
26	Pitambar Bhandari	Executive Director	2074.12.14	
27	Sunil Udash	Executive Director	2075.02.14	
28	Basudev Adhikari	Executive Director	2073.08.19	retired w.e.f.2074.12.07
29	Dr. Bamdev Sigdel	Executive Director	2073.08.10	retired w.e.f.2074.08.26
30	Dr. Gopal Prasad Bhatta	Executive Director	2073.09.10	retired w.e.f.2074.12.01
31	Harisharan K.C.	Executive Director	2074.12.14	retired w.e.f.2075.02.03
32	Ramesh Kumar Pokharel	Executive Director	2072.12.03	retired w.e.f.2074.12.07
33	Yejendra Prasad Luitel	Executive Director	2073.04.23	retired w.e.f.2074.12.07

The transactions, if any, with director-related or key management personnel – related entities occurred in the normal course of NRB's operations were conducted as arms length transactions.



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i. Transactions with Key Management Personnel

In addition to salaries, non- cash benefits (Vehicle Facility, Accommodation Facility to governor) were provided to special class officers and the executive Board members. All special class officers and three of the Board members (Governor and Deputy Governors) were entitled to termination benefits. The data relating to total compensation paid to key management personnel were as follows:

Particulars	Current Year (NRs.)	Previous Year (NRs.)
Short term employee benefits	70,808,464	45,206,007
Post-employment benefits	35,767,108	49,759,710
Other long term benefits	-	-
Total	106,575,571	94,965,717

Other transactions with the Key Management Personnel and the status of yearend balances with them were as per below.

Particulars	Current Year(NRs.)	Previous Year(NRs.)
Meeting Fees/ Incidental Expenses to Directors	6,200,085	6,067,847
Loan Facilities	89,937,115	58,609,118

ii. Salary, Benefits and Other Facilities of Board Members

Board Members are entitled for meeting allowance of Rs.5,000.00 per meeting. In addition, non executive board members are entitled for fuel, vehicle repair, telephone, newspaper, internet, medicine& facilities). Details of such salary, benefits and other facilities provided to executive as well as non executive board members for FY 2074/75 are provided below:

Name	Post	Salary	Board Meeting Allowances	Other Allowances & Facilities
Dr. Chiranjibi Nepal	Governor	1,180,800	300,000	1,933,538
Shanta Raj Subedi	Finance Secretary/ Board Member		50,000	75,640
Shanker Prashad Adhikari	Finance Secretary/ Board Member		140,000	107,973
Dr. Rajan Khanal	Finance Secretary/ Board Member		75,000	34,833
Chintamani Siwakoti	Deputy Governor	1,054,800	265,000	17,65,682
Shiba Raj Shrestha	Deputy Governor	1,054,800	245,000	17,65,682
Dr. Sri Ram Poudyal	Board Member		300,000	552,460
Ramjee Regmi	Board Member		255,000	552,460
Bal Krishna Man Singh	Board Member		20,000	316,785
CA.Dr. Suvod Kumar Karn	Board Member		55,000	126,760
Total		3,290,400	1,705,000	7,231,814

5.3.2. Government of Nepal

The bank, being the Central Bank of Nepal, was incorporated under Nepal Rastra Bank Act, 2012 and the Government of Nepal (GON) is the controlling body of the bank holding 100% of its capital.



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i. Transactions with Government of Nepal

The transaction with GON and the status of yearend balances with GON is as follows:

Particulars	Current Year(NRs.)	Previous Year(NRs.)
Transactions during the year:		
Commission Income received from GON	98,918,534	65,686,160
Surplus paid to GON (As per Financial Statement of Previous Year)	7,500,000,000	7,250,000,000
Balances at the yearend:		
Deposit from GON	144,165,917,369	193,752,687,231
Interest Receivable from GON	1,010,339,989	1,010,339,989
Investment in Treasury Bills (GON)	25,600,825,674	30,158,502,599
Investment in Bonds (GON)	216,672,667	4,871,051,043
Investment in Saving Certificates (GON)	48,427,193,215	11,382,487,396

Government of Nepal Treasury Position

Balance of Government of Nepal as of 32ndAsar 2075 as per the records of the bank was a surplus balance of NRs.144,165,917,368 (P.Y. NRs. 193,752,687,231). The balance is yet to be confirmed by Comptroller General's office of GON. However, based on past experience management believes that difference if any, between records of the bank and Comptroller General's office shall be insignificant and will not have material impact on financial position. The surplus balance of Government Treasury position as of 31stAsar 2074 was finalized at Poush end 2074.

5.4. Inter-Office Transactions

The balance of inter-office transactions under reconciliation is Rs. 6,978,943.02 (PY Rs. 47,278,943.02) which is presented as general account under Other liabilities.

5.5. Assets Received in Grant

The various assets received as grant under the Financial Sector Restructuring Project (phase I and II) was valued at NRs. 11,585,586 (PY NRs. 11,585,586),out of which there was a written down balance of NRs. 123 (PY NRs.123) at the yearend. During the year no grant assets were received.

5.6. Financial Instruments

Financial Risk Management–Overview

Risk Management Framework

The Bank's Board of Directors has the overall responsibility for the establishment and oversight of the Bank's Risk Management Framework. The Board of Directors has formed the Risk Management Committee, which is responsible for developing and monitoring the Bank's risk management policies. The committee reports regularly to the Board of Directors about its activities.

The Bank's risk management policies are established to identify and analyze the risk faced by the Bank, set appropriate risk limits and control, and monitor risks and adherence to the limit. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and the Bank's activities. The Bank through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Bank's Audit Committee oversees how the management monitors compliance with the Bank's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in its oversight role by Internal



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Audit Department. Internal Audit Department undertakes both regular and ad hoc review of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Bank has exposure to the following risk arising from financial instruments

- A. Credit Risk
- B. Liquidity Risk
- C. Market Risk

5.6.1. Credit Risk:

Credit Risk is risk of financial loss to a party if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Bank's credit risk in relation to a financial instrument is the risk that its customer or counter party fails to discharge its obligation in accordance with agreed terms and cause the Bank to incur a financial loss. The Bank's credit risk arises principally from the Bank's investment securities and receivable from customers. The credit risk in the bank's foreign exchange reserve is monitored and reviewed by using credit limits based on credit ratings by international rating agency.

5.6.1.1. Exposure to Credit Risk

The maximum exposure to credit risk at the year-end was as follows:

a) By Nature of Assets

Particulars	As on 32-3-2075	As on 31-3-2074
Cash Equivalentents	806,736,416,961	766,280,255,209
Loans and Advances to Bank and Financial Institutions	12,220,303,401	6,927,270,915
Loans and Advances to Others	12,338,565,901	12,033,861,094
Gold and Silver	45,467,467,808	42,265,102,190
Investment Securities	232,984,574,153	199,586,267,101
Other Assets	17,312,234	63,015,365
TOTAL ASSETS	1,109,764,640,457	1,027,155,771,874

b) By Geographical Region:

Particulars	As on 32-3-2075	As on 31-3-2074
India	58,989,291,902	229,506,949,862
USA	126,162,164,066	111,027,381,856
Germany	192,077,300	420,674,346
Switzerland	54,016,971,573	45,901,930,321
United Kingdom	4,073,288,713	11,210,774,529
France	28,164,274,635	30,841,051,865
Japan	5,642,751,247	5,228,112,178
Bahrain	61,970,358,189	97,715,917,152
Singapore	68,670,617,918	122,658,987,589
Canada	79,169,937	76,477,616
Hong Kong	203,526,814,568	145,840,251,090
U.A.E	21,902,272,015	22,205,907,026
China	60,000,571,621	59,517,378,435
Bangladesh	28,630,894,020	18,208,055,816
Nepal	387,743,122,752	126,795,922,193
Total	1,109,764,640,457	1,027,155,771,874



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c) By Nature of the Entity:

Particulars	As on 32-3-2075	As on 31-3-2074
Central Banks	43,387,687,461	25,597,318,679
Bank for International Settlement	11,039,549,998	10,521,210,357
Foreign Government	363,505,143,562	365,629,859,915
International Monetary Fund	164,054,814	171,322,848
Foreign Commercial Banks	585,711,958,727	536,844,800,654
Domestic Banks and FIs	15,572,456,095	28,141,233,601
Government of Nepal	74,244,691,556	46,412,041,038
Equity Instruments	3,783,220,109	2,975,652,460
Other Parties	12,355,878,134	10,862,332,322
Total	1,109,764,640,457	1,027,155,771,874

d) By Credit Rating

Particulars	Rating	As on 32-3-2075		As on 31-3-2074	
		Amount (NRs.)	%	Amount (NRs.)	%
Foreign Currency Financial Assets	AAA	34,823,423,050	3.14	33,700,220,912	3.28
	AA+	126,162,164,066	11.37	-	-
	AA-	38,127,522,188	3.44	20,195,221,372	1.97
	AA	4,073,288,713	0.37	-	-
	A+	67,926,813,980	6.12	82,866,404,694	8.07
	A	223,479,906,218	20.14	193,664,929,226	18.85
	A-	5,631,938,097	0.51	21,420,316,047	2.09
	BBB+	-	-	-	-
	BBB-	320,061,418,189	28.84	300,760,297,152	29.28
	Other*	183,521,920,063	16.54	286,157,123,050	27.86
Total		1,003,808,394,563	90.45	938,764,512,453	91.39
Local Currency Financial Assets	Other**	105,956,245,894	9.55	88,391,259,421	8.61
Total Financial Assets		1,109,764,640,457	100.00	1,027,155,771,874	100.00

All of the above ratings are as per S&P.

*/**Rating not available or rating not required as per NRB's Investment Policy



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5.6.1.2. Impairment Losses

The Bank recognizes the impairment of financial assets in case there is objective evidence that the assets have been impaired. Impairment of an individual asset is tested at each balance sheet date and the movement in the allowances for impairment of financial assets during the year is as follows:

Particulars	Allowances for Diminution in Value of Equity Investment	Allowances for Doubtful Investment in Fixed Deposit	Allowances for Doubtful Refinance/Loan	Allowances for Doubtful Receivables
Balance as on 1stSawan 2073	47,550,000	414,829,000	10,000,000	10,329,878
Impairment Loss Recognized	-	-	-	-
Amount Written Off	-	-	-	-
Reversal of Impairment Loss	40,050,000	84,175,097	-	-
Balance as on 31stAsar 2074	7,500,000	330,653,903	10,000,000	10,329,878
Impairment Loss Recognized	-	-	-	-
Amount Written Off	-	-	-	-
Reversal of Impairment Loss	-	76,893,903.00	-	7,994,046
Balance as on 32ndAsar 2075	7,500,000	253,760,000	10,000,000	2,335,832

The Bank believes that the un-impaired amounts that are past due by more than 30 days are still recoverable in full. The un-impaired past dues amount includes some loans provided to employees and other receivables.

i. Impairment for equity instruments:

The investments of the bank in the following entities has been impaired and impairment loss has been provided for:

Name of Entity	As on 32-03-2075			As on 31-03-2074		
	Amount of Equity investment	Impairment Amount	Net Assets	Amount of Equity investment	Impairment Amount	Net Assets
Agricultural Project Services Centre	5,000,000	5,000,000	-	5,000,000	5,000,000	-
National Productivity and Eco. Dev.	2,500,000	2,500,000	-	2,500,000	2,500,000	-
Total	7,500,000	7,500,000	-	7,500,000	7,500,000	-



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ii. Impairment for investment in fixed deposit

Details relating to impaired investment in fixed deposit is as under:

Name of Entity	As on 32-03-2075			As on 31-03-2074		
	Amount of Fixed Deposit	Impairment Amount	Net Assets	Amount of Fixed Deposit	Impairment Amount	Net Assets
Capital Merchant Banking and Finance Ltd.	188,360,000	188,360,000	-	188,360,000	188,360,000	-
Crystal Finance Ltd.	23,800,000	23,800,000	-	23,800,000	23,800,000	-
Himalaya Finance Ltd	41,600,000	41,600,000	-	41,600,000	41,600,000	-
Kuber Merchant Bank & Finance Ltd.	-	-	-	76,893,903	76,893,903	-
Total	253,760,000	253,760,000	-	330,653,903	330,653,903	-

The above institutions have been declared problematic by the bank and the outstanding amount is overdue since long. We have been corresponding of regular basis for repayment of such amount along with interest accrued. During the FY 2074-75 Kuber Merchant Bank & Finance Ltd. had settled the due amount.

iii. Impairment for Refinance/Loans

The bank has provided loans at subsidized rate to one of the existing Grameen Bikas Bank (currently merged to Grameen Bikas Laghubitta Bittiya Sanstha Ltd.) and the loan has been matured since long. But it is yet to realize the amount and hence made provision for the impairment for full amount.

Name of Entity	As on 32-03-2075			As on 31-03-2074		
	Amount of Loan	Impairment Amount	Net Assets	Amount of Loan	Impairment Amount	Net Assets
Grameen Bikas Laghubitta Bittiya Sanstha Ltd	10,000,000	10,000,000	-	10,000,000	10,000,000	-
Total	10,000,000	10,000,000	-	10,000,000	10,000,000	-

iv. Impairment for Receivables

Impairment for receivables includes impairment of Rs.2,335,832 (P.Y. Rs.10,329,878) in respect to advances to staffs who have already left the bank.

5.6.1.3. Credit Quality

The credit quality of counterparty of the financial assets is assessed based on credit policy (Investment Directives) formed by the Board of Directors. Investment is made in the foreign counterparty whose credit rating is within the acceptable standard. In case of domestic investment, investment is made in the counterparty who meets the minimum standard level set by the credit policy. An analysis of credit quality of financial assets not impaired is as follows:



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Counterparties	As on 32-3-2075	As on 31-3-2074
External Credit Rating at least AAA/BBB- from credit rating agency	413,393,643,476	261,380,210,809
Non Rated Counterparties	172,318,315,251	275,464,589,845
Central Banks	43,387,687,461	25,597,318,679
Bank for International Settlement	11,039,549,998	10,521,210,357
Foreign Government	363,505,143,562	365,629,859,915
International Monetary Fund	164,054,814	171,322,848
Government of Nepal	74,244,691,556	46,412,041,038
Financial Assets with Other Counterparties:	31,711,554,339	59,579,884,977
- Party with Normal Risk	31,437,958,507	41,620,734,602
- Party with High Risk	273,595,831	358,483,781
Total	1,109,764,640,457	1,027,155,771,874

5.6.2. Liquidity Risk

Liquidity Risk is the risk that the Bank will encounter difficulty in meeting the obligation associated with the financial liabilities that are settled by delivering cash or other financial assets. The Bank's approach to managing liquidity risk is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, provide finance to maintain liquidity in financial market and provide for foreign exchange to finance import of the country under both the normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank reputation. In order to control liquidity risk, the bank has maintained sufficient balance in the current account with other central banks, demand and call deposit with foreign banks and investment in highly liquid securities. The Bank maintains cash and cash equivalents and other highly marketable securities in excess of expected cash flows on financial liabilities and other obligation.

Further, the bank has credit arrangement for Rapid Credit Facilities (RCF) and Extended Credit Facilities (ECF) provided by International Monetary Fund in case of stressed condition like deficit of Balance of Payment of the country. The Government of Nepal provides credit facility to the Bank in case of financial crisis.

5.6.2.1. Assets Held for Managing Liquidity Risk

The Bank holds a diversified portfolio of cash, balances with foreign banks and high-quality highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprise:

- Cash and balances with foreign banks in the form of demand and call deposit.
- Balance with foreign central banks and banks for international settlement
- Investment in Government of Nepal and foreign Governments' bonds and other securities that are readily acceptable in repurchase agreements with central banks; and
- A secondary source of liquidity in the form of highly liquid instruments in the Bank's trading portfolios.

5.6.2.2. Maturity Profile of Financial Assets

The followings are the remaining contractual maturities and other forms of financial assets at the end of the reporting period:



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Current Year Figures (NRs.)

Particulars	Contractual and Other Cash Flows					
	Carrying Amount	upto 1 month	1-3 months	3-12 months	1 -3 Year	More than 3 Year
Cash Equivalents	806,736,416,961	98,162,763,690	708,573,653,271			
Loans and Advances to Bank and Financial Institutions	12,220,303,401			12,220,303,401		
Loans and Advances to Others						
Receivable from GON against payment to IMF						
Balance with Asian Clearing Union (ACU)	193,763,757	193,763,757				
Gross Loans to Employees	3,536,562,760	176,828,138	176,828,138	353,656,276	530,484,414	2,298,765,794
Interest Receivable	5,790,048,546	579,004,855	579,004,855	4,632,038,836		
Advance to Staff	12,017,500	1,201,750	1,802,625	8,051,725	600,875	360,525
Sundry Debtors	401,416,335		240,849,801	120,424,901	40,141,634	
Prepaid Expenses	945,099	9,451	47,255	888,393		
Pension Advance Account	2,393,372,855	23,933,729	47,867,457	47,867,457	239,337,285	2,034,366,927
Staff Endowment Policy Advance	9,977,500					9,977,500
Other	461,548				461,548	
Investment Securities						
US Government Treasury Notes/ Bonds	65,546,403,362			65,082,732	65,481,320,629	
Government Treasury Notes/Bonds (CNY)	58,989,291,902	3,945,862,286	1,652,829,679	29,470,327,359	23,920,272,579	
Investment in Mid term Instruments	8,387,708,224		10,841,335	5,676,959,224	2,699,907,665	
Notice Deposit (JPY)	18,701,060,000				5,610,318,000	13,090,742,000
Government Bond (GON)	216,672,667					216,672,667
Fixed deposit with Bank & Financial Institutions	3,332,199,000			3,332,199,000		
Government Treasury Bills (GON)	25,600,825,674		25,600,825,674			
Saving Certificates (GON)	48,427,193,215					48,427,193,215



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Investment in Rural Self Reliance Fund	253,400,000					253,400,000
Quoted equity securities	1,448,320,962					1,448,320,962
Unquoted equity securities	2,081,499,147					2,081,499,147
Other Assets	17,312,234					17,312,234
Total	1,064,297,172,649	103,083,367,654	736,884,550,090	55,927,799,305	98,522,844,630	69,878,610,970

Previous Year Figures (NRs.)

Particulars	Contractual and Other Cash Flows					
	Carrying Amount	upto 1 month	1-3 months	3-12 months	1 -3 Year	More than 3 Year
Cash Equivalents	766,280,255,209	98,162,763,690	668,117,491,519			
Loans and Advances to Bank and Financial Institutions	6,927,270,915			6,927,270,915		
Loans and Advances to Others				-		
Receivable from GON against payment to IMF	2,431,416,400		2,431,416,400			
Balance with Asian Clearing Union (ACU)	-					
Gross Loans to Employees	3,062,800,479	153,140,024	153,140,024	306,280,048	459,420,072	1,990,820,311
Interest Receivable	4,332,051,715	433,205,172	433,205,172	3,465,641,372		
Advance to Staff	13,417,329	1,341,733	2,012,599	8,989,611	670,866	402,520
Sundry Debtors	285,573,492		171,344,095	85,672,048	28,557,349	
Prepaid Expenses	329,301	3,293	16,465	309,543		
Pension Advance Account	1,898,719,290	18,987,193	37,974,386	37,974,386	189,871,929	1,613,911,397
Staff Endowment Policy Advance	9,180,000					9,180,000
Other	373,087				373,087	
Investment Securities						
US Government Treasury Notes/Bonds	71,944,021,840			20,554,522,183	30,805,550,966	20,583,948,691
Government Treasury Notes/Bonds (CNY)	57,002,585,312	6,344,751,218	1,197,604,829	30,257,366,894	19,202,862,370	
Investment in Mid term Instruments	8,082,347,421			8,082,347,421		
Notice Deposit (JPY)	8,426,240,000				2,527,872,000	5,898,368,000



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Government Bond (GON)	4,871,051,043					4,871,051,043
Fixed deposit with Bank & Financial Institutions	3,280,561,000			3,280,561,000		
Government Treasury Bills (GON)	30,158,502,599		30,158,502,599			
Saving Certificates (GON)	11,382,487,396					11,382,487,396
Investment in Rural Self Reliance Fund	253,400,000					253,400,000
Quoted equity securities	2,575,028,961					2,575,028,961
Unquoted equity securities	1,610,041,530					1,610,041,530
Other Assets	63,015,365					63,015,365
Total	984,890,669,684	105,114,192,322	702,702,708,088	73,006,935,421	53,215,178,640	50,851,655,213

5.6.2.3. Maturity Profile of Financial Liabilities

The followings are the remaining contractual maturities and other forms of financial liabilities including estimated interest payments at the end of the reporting period:

Current Year Figures (NRs.)

Particulars	Contractual and Other Cash Flows					
	Carrying Amount	upto 1 month	1-3 months	3-12 months	1 -3 Year	More than 3 Year
Bills Payable	115,622,742	115,622,742	-		-	-
Deposits from Bank and Financial Institutions	208,116,242,256	41,623,248,451	3,114,280,834	20,811,624,226	142,567,088,745	-
Deposit from Government of Nepal	144,165,917,368	57,666,366,947	64,874,662,816		21,624,887,605	-
Deposits from Others	25,479,607,975	5,095,921,595	20,383,686,380		-	-
Short Term Borrowings	44,550,000,000	44,550,000,000	-		-	-
IMF Related Liabilities	21,674,958,091	-	-		21,674,958,091	-
Staff Liabilities	2,095,039,220	1,045,778,416	419,007,844	211,245,116	209,503,922	209,503,922
Other Liabilities	1,209,553,210		1,209,553,210		-	-
Total	447,406,940,862	150,096,938,152	90,001,191,084	21,022,869,341	186,076,438,362	209,503,922



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Previous Year Figures (NRs.)

Particulars	Contractual and Other Cash Flows					
	Carrying Amount	upto 1 month	1-3 months	3-12 months	1 -3 Year	More than 3 Year
Bills Payable	233,602,320	233,602,320				
Deposits from Bank and Financial Institutions	211,579,363,272	42,315,872,654	3,460,173,528	21,157,936,327	144,645,380,763	
Deposit from Government of Nepal	193,752,687,231	77,501,074,893	116,251,612,339			
Deposits from Others	27,004,456,317	5,400,891,263	21,603,565,054			
Short Term Borrowings	14,400,000,000	14,400,000,000				
IMF Related Liabilities	21,559,685,462				21,559,685,462	
Staff Liabilities	5,791,597,601	923,223,627	1,158,319,520	2,551,734,933	579,159,760	579,159,760
Other Liabilities	1,241,464,281		1,241,464,281			
Total	475,562,856,485	140,774,664,758	143,715,134,721	23,709,671,260	166,784,225,985	579,159,760

5.6.3. Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices and other assets prices may affect the Bank's income or the value of its holding of financial instruments. Market risk arises from open position in interest rates, currency and equity products all of which are exposed to general and specific market movement and changes in the level of volatility of the market rates or interest rates, foreign exchange rates and equity prices. The objective of market risk management is to manage and control market risk exposure within the acceptable parameters, while optimizing the return.

5.6.3.1. Currency Risk:

Currency risk is the risk, where the value of financial instruments may fluctuate due to changes in foreign exchange rates. Foreign currency activities result mainly from the Bank's holding of foreign currency assets under its foreign exchange reserves management function. The investment committee reviews the currency composition of the reserve and monitors the Bank's compliance with the limits established for foreign currency positions by the board. The major holding of foreign currency assets are denominated in USD, CNY, AUD, GBP, EURO and INR.

The summary quantitative data about the Bank's exposure to currency risk at the reporting period was as follows:



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Current Year Figures (NRs.)

Particulars	USD	AUD	EUR	GBP	CNY	CAD	SDR	JPY
	54.79	3.62	0.45	1.77	10.45	0.80	0.02	1.93
Cash and Cash Equivalents	469,621,700,195	31,715,381,105	4,628,912,527	18,303,424,884	48,120,145,415	8,307,221,003	164,054,814	1,300,375,611
Loans and Advances to Bank and Financial Institutions								
Loans and Advances to Others	1,680,307,154	85,362,439		9,824,167	1,121,904,696	15,723,868		
Gold and Silver	28,078,523,145							
Investment Securities	68,253,577,277	5,680,534,309			58,989,291,902			18,701,060,000
Other Assets								
Total Financial Assets	567,634,107,771	37,481,277,852	4,628,912,527	18,313,249,051	108,231,342,013	8,322,944,871	164,054,814	20,001,435,611
Bills Payable								
Deposits from Bank and Financial Institutions	1,165,867,060	2,514,353	1,636,484,067	147,324,175				
Deposit from Government of Nepal								
Deposits from Others	540,140							
Short Term Borrowings								
IMF Related Liabilities							12,230,335,924	
Staff Liabilities								
Other Liabilities	4,920		54,251,461					
Total Financial Liabilities	1,166,412,120	2,514,353	1,690,735,528	147,324,175	0	0	12,230,335,924	0
Net Financial Position Exposure	566,467,695,651	37,478,763,499	2,938,176,999	18,165,924,876	108,231,342,013	8,322,944,871	-12,066,281,110	20,001,435,611



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Previous Year Figures (NRs.)

Particulars	USD	AUD	EUR	GBP	CNY	CAD	SDR
	55.05	3.95	0.20	3.00	9.98	0.84	0.02
Cash and Cash Equivalents	57,710,805,099	215,934,691	1,804,439,229	4,541,828,538	8,682,945,502	421,387,358	171,322,848
Loans and Advances to Bank and Financial Institutions							
Loans and Advances to Others	968,282,203	60,078,838		14,111,143	879,959,238	6,525,459	
Gold and Silver	25,929,438,227						
Investment Securities	450,204,021,840	36,100,000,000		23,070,000,000	82,376,905,759	7,320,000,000	
Other Assets	-						
Total Financial Assets	534,812,547,369	36,376,013,530	1,804,439,229	27,625,939,682	91,939,810,499	7,747,912,817	171,322,848
Bills Payable							
Deposits from Bank and Financial Institutions	1,258,247,821	2,619,293	1,980,057,590	97,608,024			
Deposit from Government of Nepal							
Deposits from Others	409,203,253						
Short Term Borrowings							
IMF Related Liabilities							12,377,901,013
Staff Liabilities							
Other Liabilities	253,977,978						
Total Financial Liabilities	1,921,429,051	2,619,293	1,980,057,590	97,608,024	-	-	12,377,901,013
Net Financial Position Exposure	532,891,118,317	36,373,394,237	(175,618,361)	27,528,331,658	91,939,810,499	7,747,912,817	(12,206,578,165)

Besides above currency exposures, the bank's foreign currency reserve also consists major portion of Indian currency (INR) denominated assets which stands around 24.44% (PY 24.61%) of total reserve. Since, the exchange rate of Nepalese rupee is pegged to INR the net exposure position of INR has not been presented in above table. The foreign currency reserve denominated in currencies other than stated above and INR amounted to 1.75% (PY 1.68%) of the total foreign currency reserve.

5.6.3.2. Sensitivity Analysis of Currency Risk

A strengthening (weakening) of USD, AUD, EUR, GBP, CNY, CAD and SDR against Nepalese rupee at the end of reporting period would have affected the value of financial instruments denominated in a foreign currency and increased (decreased) in profit or loss by the amount shown below. This analysis is based on foreign exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant and ignore any impact of forecast cash flows.



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Impact on Profit or Loss

In case of Strengthening or Weakening of Currency by 10%

	For the Year Ended 2075		For the Year Ended 2074	
	Strengthening	Weakening	Strengthening	Weakening
USD	56,646,769,565	-56,646,769,565	53,289,111,832	-53,289,111,832
AUD	3,747,876,350	-3,747,876,350	3,637,339,424	-3,637,339,424
EUR	293,817,700	-293,817,700	-17,561,836	17,561,836
GBP	1,816,592,488	-1,816,592,488	2,752,833,166	-2,752,833,166
CNY	10,823,134,201	-10,823,134,201	9,193,981,050	-9,193,981,050
CAD	832,294,487	-832,294,487	774,791,282	-774,791,282
SDR	-1,206,628,111	1,206,628,111	-1,220,657,817	1,220,657,817
JPY	2,000,143,561	-2,000,143,561	864,917,549	-864,917,549
Total	74,954,000,241	-74,954,000,241	69,274,754,650	-69,274,754,650

5.6.3.3. Interest Rate Risk:

Interest rate risk is the risk that the value of financial assets will fluctuate due to changes in market interest rate. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate re-pricing which is monitored daily by the Bank Treasury.

The Bank has kept substantial investments on short-term loans thereby controlling the interest rate risk to significant extent. The interest rate profile of the interest bearing financial instruments is as below:

Particulars	Weighted Average Interest Rate %	As on 32st Asar 2075	As on 31st Asar 2074
<u>Interest Sensitive Financial Assets</u>			
Balances with Other Banks	0.23	98,142,809,995	55,539,228,832
GOI Treasury Bills	6.37	235,503,932,213	230,966,596,496
US Government Treasury Bills	1.91	16,354,309,087	15,406,025,705
Time Deposit	2.49	454,376,878,804	462,162,752,642
Investment in FIXBIS	0.29	2,174,478,354	1,999,800,000
IMF Related Assets: SDR Holdings	0.07	164,054,814	171,322,848
General Refinance	4.00	9,993,957,858	5,909,405,146
Special/Export Refinance	1.00	402,125,496	76,498,278
Loans to Employees			
House loan Uninsured	1.00	1,358,700	1,923,866
House Repair Loan Uninsured	1.00	783,105,532	176,993,619
Vehicle Loan Uninsured	3.00	45,247,931	85,132,471
Staff Loan Uninsured 2068	1.00	655,742,445	756,948,739
Investment in Paper Gold	0.47	28,078,523,145	25,929,438,227



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US Government Treasury Notes/Bonds	1.71	65,546,403,362	71,944,021,840
Government Treasury Notes/Bonds (CNY)	3.34	58,989,291,902	57,002,585,312
Investment in Mid term Instruments	1.58	8,387,708,224	8,082,347,421
Notice Deposit (JPY)	0.01	18,701,060,000	8,426,240,000
Fixed deposit with Bank & Financial Institutions	10.14	3,332,199,000	3,280,561,000
Government Treasury Bills (GON)	3.53	25,600,825,674	30,158,502,599
Saving Certificates (GON)	3.68	48,427,193,215	11,382,487,396
Total Interest Sensitive Financial Assets		1,075,661,205,751	989,458,812,437
<i>Interest Sensitive Financial Liabilities</i>			
IMF Related Liabilities	0.06	21,674,958,091	21,559,685,462
Short Term Borrowings	3.11	44,550,000,000	14,400,000,000
Total Interest Sensitive Financial Liabilities		66,224,958,091	35,959,685,462
Net Interest Sensitive Financial Position		1,009,436,247,660	953,499,126,975

5.6.3.4. Other Market Prices Risk

Equity price risk arises from investment as fair value through Other Comprehensive Income as well as investment as fair value through profit or loss. The Bank monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on individual basis. The objective for investment in equity instruments is to promote overall financial system of the country. These investments were made under the specific directives or policies of the Government of Nepal and other relevant statutes. At the end of reporting period, the Bank held equity instruments of the various 11 institutions. All the investments were measured at fair value.



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5.6.4. Classification and Fair Value of financial assets

The fair value of financial assets and liabilities together with the carrying amounts as at the yearend were as follows:

Particulars	Fair Value through P/L	Fair Value through OCI	Cost/Amortised Cost	Cash & Cash Equivalents	Loans & Advances	Financial Liabilities	Total Carrying Amount	Fair Value
Cash & Cash Equivalents				847,168,622,674			847,168,622,674	847,168,622,674
Loans and Advances to Bank and Financial Institutions			12,220,303,401				12,220,303,401	12,220,303,401
Loans and Advances to Others			12,338,565,901				12,338,565,901	12,338,565,901
Gold and Silver	45,467,467,808						45,467,467,808	45,467,467,808
Investment Securities	3,529,820,109		229,454,754,044				232,984,574,153	232,984,574,153
Other Assets		17,312,234					17,312,234	17,312,234
Total Financial Assets	48,997,287,917	48,997,287,917	254,030,935,579	847,168,622,674	0	0	1,150,196,846,170	1,150,196,846,170
Bills Payable						115,622,742	115,622,742	115,622,742
Deposits from Bank and Financial Institutions						208,116,242,256	208,116,242,256	208,116,242,256
Deposit from Government of Nepal						144,165,917,368	144,165,917,368	144,165,917,368
Deposits from Others						25,479,607,975	25,479,607,975	25,479,607,975
Short Term Borrowings						44,550,000,000	44,550,000,000	44,550,000,000
IMF Related Liabilities						21,674,958,091	21,674,958,091	21,674,958,091
Staff Liabilities						2,095,039,220	2,095,039,220	2,095,039,220
Other Liabilities						1,209,553,210	1,209,553,210	1,209,553,210
Total Financial Liabilities						447,406,940,862	447,406,940,862	447,406,940,862
Net Financial Position			254,030,935,579	847,168,622,674	0	-447,406,940,862	702,789,905,309	702,789,905,309



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5.6.1. Fair Value Hierarchy

Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required), except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

Fair value measurements have been classified using a “fair value hierarchy” that categorizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy has three different levels and gives the highest priority to quoted (unadjusted) prices in active markets and the lowest priority to unobservable inputs.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, quoted prices for similar assets or liabilities in active markets.

Level 3 inputs are unobservable inputs for the asset or liability.

The details showing the carrying amounts of financial assets and liabilities and segregating them to Amortised Cost and Fair Value and segregating Fair Value to Level 1 – 3 inputs are presented below:

As at 32 Ashad 2075	Carrying value	At Amortised Cost	Level 1	Level 2	Level 3
Financial Assets					
Financial assets carried at amortized cost					
<u>Cash Equivalents</u>	806,736,416,961				
<i>Balance with Other Banks</i>	98,162,763,690	98,162,763,690			-
<i>Treasury Bills</i>	251,858,241,300	251,858,241,300			-
<i>Investments</i>	2,338,533,167	2,338,533,167			-
<i>Time Deposit</i>	454,376,878,804	454,376,878,804			-
Loans & Advances to BFIs	12,220,303,401	12,220,303,401			-
<u>Loans & Advances to Others</u>	12,338,565,901				
<i>Receivables from Government & International Agencies</i>	193,763,757	193,763,757			-
<i>Loans to Employees</i>	3,536,562,760	3,536,562,760			-
<i>Interest Receivables</i>	5,790,048,546	5,790,048,546			-
<i>Other Advances</i>	2,818,190,838	2,818,190,838			-
Gold & Silver at fair value	45,467,467,808		45,467,467,808		-
<u>Investment Securities</u>	232,984,574,153				
<i>Investment Securities at Amortized Cost</i>	229,454,754,044	229,454,754,044			-



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<i>At Fair Value through Other Comprehensive Income (OCI)</i>	3,529,820,109			1,448,320,962	2,081,499,147
Other Assets	17,312,234				17,312,234
Total Financial Assets	1,109,764,640,457	1,036,191,171,005	45,467,467,808	1,448,320,962	2,098,811,381
Financial Liabilities					
Financial liabilities carried at amortized cost:					
Bills Payable	115,622,742	115,622,742			
Deposits from Bank and Financial Institutions	208,116,242,256	208,116,242,256			
Deposit from Government of Nepal	144,165,917,368	144,165,917,368			
Deposits from Others	25,479,607,975	25,479,607,975			
Short Term Borrowings	44,550,000,000	44,550,000,000			
IMF Related Liabilities	21,674,958,091	21,674,958,091			
Staff Liabilities	2,095,039,220				2,095,039,220
Other Liabilities	1,209,553,210	1,209,553,210			
Total Financial Liabilities	447,406,940,862	445,311,901,642	-	-	2,095,039,220
As at 31 Ashad 2074	Carrying value		Level 1	Level 2	Level 3
Financial Assets					
Financial assets carried at amortized cost					
<u>Cash & Cash Equivalents</u>	<u>766,280,255,209</u>		-	-	
<i>Balance with Other Banks</i>	-	55,573,757,518			-
<i>Treasury Bills</i>	-	246,372,622,201			-
<i>Investments</i>	-	2,171,122,848			-
<i>Time Deposit</i>	-	462,162,752,642			-
Loans & Advances to BFIs	-	6,927,270,915			-
<u>Loans & Advances to Others</u>	<u>12,033,861,094</u>				
<i>Receivables from Government & International Agencies</i>	2,431,416,400	2,431,416,400			-
<i>Loans to Employees</i>	3,062,800,479	3,062,800,479			-
<i>Interest Receivables</i>	4,332,051,715	4,332,051,715			-
<i>Other Advances</i>	2,207,592,500	2,207,592,500			-
Gold & Silver at fair value	42,265,102,190		42,265,102,190		-
<u>Investment Securities</u>	<u>199,586,267,101</u>				
<i>Investment Securities at Amortized Cost</i>	195,401,196,610	195,401,196,610			-
<i>At Fair Value through Other Comprehensive Income (OCI)</i>	4,185,070,491			2,575,028,961	1,610,041,530
Other Assets	63,015,365				63,015,365
Total Financial Assets	1,027,155,771,874	980,642,583,828	42,265,102,190	2,575,028,961	1,673,056,896



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Financial Liabilities				
Financial liabilities carried at amortized cost:				
Bills Payable	233,602,320	233,602,320		
Deposits from Bank and Financial Institutions	211,579,363,272	211,579,363,272		
Deposit from Government of Nepal	193,752,687,231	193,752,687,231		
Deposits from Others	27,004,456,317	27,004,456,317		
Short Term Borrowings	14,400,000,000	14,400,000,000		
IMF Related Liabilities	21,559,685,462	21,559,685,462		
Staff Liabilities	5,791,597,601			5,791,597,601
Other Liabilities	1,241,464,281	1,241,464,281		
Total Financial Liabilities	475,562,856,485	469,771,258,884	-	- 5,791,597,601

5.7 Employees Benefits - Defined Benefit Plans

The Bank currently offers three defined benefit post-employment plans to its employees, based on length of service and amount of compensation. These post-employment benefits plans are ‘Gratuity or Pension Plan’, ‘Staff Security Plan’ and ‘Leave Encashment Plan’. A defined benefit plan is post-employment benefit plan other than a defined contribution plan. The bank’s net obligation in respect of defined benefits plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in current and prior period; and the benefit is discounted to determine its present value. The bank determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset). The obligation under ‘Gratuity or Pension Plan’ and ‘Staff Security Plan’ is calculated by a qualified actuary every year using projected unit credit method. The discount rate used is the yield at the reporting date on high quality Government Bond having maturity dates approximating the terms of the obligations and are denominated in the Nepalese rupee in which the benefits are expected to be paid.

The gratuity or pension plan and staff security plan are funded plan wherein the bank makes earmarked investment out of fund created for these plans. Leave encashment is not a funded plan.

There were no plan amendments and curtailments during the reporting period.

The details of the net liabilities based on actuarial valuation of obligation for two defined benefit plans, viz., the Gratuity and Pension plan and the Staff Security Fund are as follows:

Amount Recognized in the statement of Financial Position

Particulars	As on 32 nd Asar 2075		As on 31 st Asar 2074	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
	Funded		Funded	
Present Value of Obligations	18,710,462,476	2,168,339,774	18,451,547,560	2,673,590,776
Fair Value of Plan Assets/ Current Balance of Provision Account	(19,391,142,000)	(2,013,600,000)	(15,975,407,000)	(1,923,466,000)
Net Liability /(Asset)	(680,679,524)	154,739,774	2,476,140,560	750,124,776



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Changes in Fair Value of Defined Benefit Obligation

Particulars	For the Year Ended 32 nd Asar 2075		For the Year Ended 31 st Asar 2074	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
	Funded		Funded	
Opening Obligation	18,451,547,560	2,673,590,776	16,260,561,185	2,241,351,694
Current Service Cost	454,812,717	149,789,143	393,426,811	111,878,496
Interest Cost	1,442,112,165	302,762,005	1,269,292,728	162,389,689
Actuarial Losses (Gains)	(787,718,964)	(285,841,981)	1,317,071,002	580,932,063
Losses (Gains) on Curtailments				
Benefits Paid	(850,291,002)	(671,960,169)	-788,804,166	-422,961,166
Closing Obligation	18,710,462,476	2,168,339,774	18,451,547,560	2,673,590,776

Closing obligation in FY 2074/75 as shown above includes the Pension or Gratuity liability of Rs.115,753,150 and staff security fund liability of Rs.4,208,848 against 30 retired staffs pending settlement who have filed cases against the bank.

Changes in Fair Value of Plan Assets

Particulars	For the Year Ended 32 nd Asar 2075		For the Year Ended 31 st Asar 2074	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
	Funded		Funded	
Opening Fair Value	15,975,407,000	1,923,466,000	12,784,580,000	1,726,094,000
Expected Return	1,346,322,073	146,745,046	1,099,946,706	138,624,078
Actuarial Gains (Losses)	556,555,185	(146,745,046)	18,943,765	(138,624,078)
Distribution on Settlements				
Contribution by Employer	2,363,148,744	646,341,019	2,860,740,695	620,333,166
Benefits Paid	(850,291,002)	(556,207,019)	(788,804,166)	(422,961,166)
Closing Fair Value	19,391,142,000	2,013,600,000	15,975,407,000	1,923,466,000



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Amount Recognized in the Statement of Comprehensive Income

Particulars	For the Year Ended 32 nd Asar 2075		For the Year Ended 31st Asar 2074	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
	Funded		Funded	
Charged to Statement of Income	190,052,952	550,602,809	1,077,681,285	425,663,158
Actuarial Losses Recognized in OCI	(139,096,935)	(1,344,274,149)	1,317,071,002	580,932,063
Total Employee Benefit Expense	50,956,017	(793,671,340)	2,394,752,287	1,006,595,221

Major Categories of Plan Assets as a Percentage of Total Plans

Particulars	For the Year Ended 32 nd Asar 2075		For the Year Ended 31st Asar 2074	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
	Funded		Funded	
Government of Nepal Securities	0%	0%	0%	0%
High quality Corporate Bonds	0%	0%	0%	0%
Equity shares of listed Companies	0%	0%	0%	0%
Property	0%	0%	0%	0%
Fixed Deposit of Banks and FIs	100%	100%	100%	100%
Others	-	-	-	-
Total	100%	100%	100%	100%

Principal Actuarial Assumption at the End of the Reporting Period

Particulars	For the Year Ended 32 nd Asar 2075		For the Year Ended 31st Asar 2074	
	Pension or Gratuity Plan	Staff Security Plan	Pension or Gratuity Plan	Staff Security Plan
	Funded		Funded	
Discount Rate	8%	8%	8%	8%
Expected Return on Plan Asset	8%	8%	8%	8%
Future Salary Increase	10%	10%	10%	10%
Future Pension Increase	6.70%	6.70%	6.67%	6.67%
Withdrawal Rate	0.50%	0.50%	0.05%	0.05%

5.8. Reserves

The Bank has maintained different reserves and funds. Some of the Reserves are statutory and maintained as per the requirement of the Nepal Rastra Bank Act, 2058. Section 41 of the Act has prescribed the sequences of the appropriation of the net income. As per the section, Foreign Exchange Revaluation Gain/Loss, Gold and Silver Revaluation Gain/Loss, and Securities Revaluation Gain/Loss shall be appropriated to Foreign Exchange Equalisation Reserve and respective Revaluation Reserves maintained by the Bank. The Bank shall also appropriate 10%, 5% and 5% of net income available for appropriation to General Reserve, Monetary Liability Reserve and Financial Stability Reserve respectively. In addition, an amount equal to the capital



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expenditure included in annual budget shall be appropriated to General Reserve and the amount decided by Board will be maintained in Net Cumulative Surplus Reserve. The purpose of these funds is specified in the Act and they shall be utilized for the said purpose. Besides these statutory funds, different other reserve and fund are maintained and an amount is annually allocated by the Board of Directors out of the each year's Net Income to that reserves and funds. The Board of Directors is authorized by Nepal Rastra Bank Act to allocate a part of Net Income to these reserves and funds. The details of statutory and other reserve and funds are as follows:

5.8.1. Statutory Reserves:

a) Monetary Liability Reserve

This reserve is maintained as per section 41 (1) (kha) of the NRB Act and as per the provision of the section an amount equal to five percent of the net income available for appropriation of each year shall be allocated and kept in such reserve. This year NRs 1,512,606,009 (P.Y.NRs. 889,049,010) was appropriated to this fund.

b) Financial Stability Reserve

This reserve is maintained as per section 41 (1) (kha) of the NRB Act and as per the provision of the section an amount equal to five percent of the net income available for appropriation of each year shall be allocated and kept in such reserve. This year NRs.1,512,606,009 (P.Y. NRs. 889,049,010) was appropriated to this fund.

c) General Reserve

This reserve is maintained as per section 41 (1) (kha) of the NRB Act and as per the provision of the section, an amount prescribed by the Board not less than ten percent of the net income available for appropriation of the Bank shall be allocated in the general reserve fund established by the Bank. While allocating an amount in the general reserve, an additional amount shall be appropriated to cover the capital expenditure referred to in the annual budget of the Bank. Accordingly, NRs.6,794,952,019 (P.Y.NRs.4,239,793,019) is appropriated in General Reserve during the year.

d) Net Cumulative Surplus Fund

This reserve is maintained as per section 41 (1) (kha) of the NRB Act and as per the provision of the section an amount as decided by the board shall be allocated and kept in such reserve. This year NRs.97,610,812 (P.Y. NRs. 2,734,774) was appropriated to this fund. This fund is introduced after the amendments in NRB Act in 2073.

e) Exchange Equalization Fund

This fund has been maintained as per section 41 (1) (ka) of the NRB Act and as per the provision of the section the amount equal to the revaluation profit shall be kept in the revaluation reserve fund. It represents net exchange gains on various foreign currency assets and liabilities. An amount of NRs.38,272,111,979(P.Y. revaluation loss of NRs.23,752,795,700) which is equivalent to net exchange gain was appropriated from net income to this fund during the year.

f) Gold and Silver Equalization Reserve

This fund has also been maintained as per section 41 (1) (ka) of the NRB Act. This reserve represents the gain or loss on the revaluation of gold and silver. Any appreciation or depreciation on revaluation of gold and silver is taken to this reserve out of net income of the year. Accordingly, an amount of NRs. 3,618,022,578 (P.Y. revaluation loss of NRs. 6,767,810,406) which is equivalent to net revaluation gain on revaluation of gold and silver was appropriated to this fund.

5.8.2. Other Reserve and Funds

Board of Directors of the Bank is authorized by section 41 (1)(ga) of the NRB Act to appropriate the remaining Net Income in other funds as may be necessary and pay the remaining amount to Government of Nepal.



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Accordingly, the Bank has maintained different reserve and fund as per Accounts Directive of the Bank and the Board of Directors appropriate some part of the net income available for distribution to these reserves and fund annually. The amount kept under these reserves and funds shall be utilized for the purpose of the reserve or fund as mentioned in the Account Directive. The following reserves/funds have been maintained:

a) Development Fund

This is the specific fund created as per Monetary Policy of the Bank to provide support for loans and refinances to banks and Financial Institutions as well as to make investment in the shares and debentures of these Institutions. The Board of Directors of the Bank annually appropriates a part of net income to this fund. Accordingly, an amount of NRs.11,000,000,000(P.Y. NRs.4,160,000,000) has been allocated to this fund during the year.

b) Banking Development Fund:

This fund was created to meet the expenses relating to banking promotion research and development work. The Board of Directors of the Bank annually appropriates a part of net income to this fund. Accordingly, an amount of Rs.110,000,000 (P.Y. NRs. 30,000,000) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

c) Development Finance Project Mobilization Fund:

This fund was created as a cushion to meet the probable loss on project loan. An amount equivalent to the projects' profits are appropriated and transferred to this fund. An amount equals to net income of the projects is allocated to this fund annually. Accordingly, an amount of NRs.18,958,350(P.Y. NRs. 0) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

d) Mechanization Fund:

This fund was created to meet the amount required to develop and install modern software, hardware and allied mechanization system. An amount as required for mechanization is allocated by Board of Directors to this fund annually. Accordingly, an amount of NRs.150,000,000 (P.Y. NRs. 0) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

e) Scholarship Fund:

This fund was created to meet the amount required from time to time for the development of skilled manpower by way of providing training and higher studies to the employees of the Bank. No amount has been allocated to this fund during the year. Earmarked investment of this fund has been made.

f) Mint Development Fund:

This fund was created to meet the heavy capital expenditure required from time to time for construction of factory building and installation of machinery for minting activities. No amount has been allocated to this fund during the year. Earmarked investment of this fund has been made.

g) Gold Replacement Fund:

This fund has been created for replacing the gold / silver sold during the year. An amount equal to profit from sale of gold and silver is appropriated to this fund annually and the amount kept under this fund is utilized for replacement of gold. Accordingly, an amount of NRs.55,386,987(P.Y. NRs. 70,354,384) has been allocated to this fund during the year. Earmarked investment of this fund has been made.

h) Rural Self Reliance Fund (GS Kosh):

This fund was created as per the NRB Monetary Policy to provide wholesale credit for lending purpose to the deprived sector through MFIs, corporate and NGOs and refinancing in tea, cardamom plantation and production as well as construction of cold storage etc. No amount has been appropriated to this fund during the year. Earmarked investment of this fund has been made.



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5.9. Prior Period Errors

The prior period errors discovered during the year were adjusted by restating the comparative figures of previous years which resulted into additional income for the previous years by NRs.671,798,709 (including deficit of Rs.13,797,783 in FY 2073-74) than by the reported figure of the previous years. This resulted into increase in net income of previous years by the said amount and has been shown in Net Cumulative Surplus Fund. In addition, additional income of Rs.4,578,042 has been discovered during the year because of the prior period errors and has been adjusted with current year surplus available for appropriation.

Particulars	Presented under	FY 2074-75	FY 2073-74	As on 1.4.2073
Investment in CNY Bond	Investment Securities		(28,027,362)	263,706,915
Investment in INR Treasury Bills	Investment Securities			1,459,646,635
Depreciation on computer software	Intangible Assets		(413,260)	(9,042,897)
Income from Amortisation of Staff Loan	Loan & Advances to Others		109,301,932	
Finance Cost under NFRS on Staff Loan	Loan & Advances to Others		(94,659,093)	(1,028,714,160)
Total Restatement of Net cumulative Surplus Fund			(13,797,783)	685,596,492
Restatement of Net cumulative Surplus Fund in FY 2073-74			671,798,709	
Surplus/(Deficit) Due to Prior Period Errors		4,578,042		-
Total effect on Equity of the bank at 32 Asar, 2075		676,376,751		

Impact of Changes in Accounting Policies:

There are changes in Accounting Policies of the bank in the current fiscal year to comply with the requirements of Nepal Financial Reporting Standards as referred in accounting policy note no. 3.28. The book value based on existing accounting policy and the revised value based on the new accounting policy have been shown below:

Particulars	Book Value			Revised Value		
	As on 32-3-2075	As on 31-3-2074	As on 31-3-2073	As on 32-3-2075	As on 31-3-2074	As on 31-3-2073
Valuation of Gold & Silver at fair value	48,170,612	48,170,612	48,170,612	17,388,944,663	16,335,663,963	19,226,793,913
Valuation of unquoted equity instruments	451,674,500	144,160,500	144,160,500	2,088,999,147	1,617,541,530	1,661,983,832
Amortisation of staff loans	4,783,283,731	4,076,871,800	4,389,546,115	3,536,562,760	3,062,800,479	3,360,831,955
Amortisation of Investment in GON Zero Coupon Bond	262,837,718			216,672,667		
Total	5,545,966,561	4,269,202,912	4,581,877,227	23,231,179,238	21,016,005,972	24,249,609,699

Note: For the calculation of amortised cost of staff loans and GON zero coupon bond, the discount rate of 4% p.a. has been considered.



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Similarly, the impact in the financial statements due to changes in accounting policies has been shown below:

Particulars	As on 32-3-2075			As on 31-3-2074			As on 1-4-2073 (Opening Balance)	
	Assets Increase/(Decrease)	Net Income Increase/(Decrease)	Reserve Increase/(Decrease)	Assets Increase/(Decrease)	Net Income Increase/(Decrease)	Reserve Increase/(Decrease)	Assets Increase/(Decrease)	Reserve Increase/(Decrease)
Valuation of Gold & Silver at fair value	1,053,280,700		1,053,280,700	(2,891,129,950)		(2,891,129,950)	19,178,623,301	19,178,623,301
Valuation of unquoted equity instruments	171,443,617		171,443,617	(44,442,302)		(44,442,302)	1,510,323,332	1,510,323,332
Amortisation of staff loans	(232,649,650)	(232,649,650)	(232,649,650)	14,642,839	14,642,839		(1,028,714,160)	(1,028,714,160)
Amortisation of Investment in GON Zero Coupon Bond	(46,165,051)	(46,165,051)						
Total	945,909,617	(278,814,700)	992,074,667	(2,920,929,412)	14,642,839	(2,935,572,251)	19,660,232,472	19,660,232,472

5.11 Foreign Exchange Reserve

As per section 66 of Nepal Rastra Bank Act 2058, the Bank shall maintain a Foreign Exchange Reserve. As per the provision of the section, such reserve shall be denominated in the respective foreign exchange and shall consist of gold and other precious metals, foreign currencies and securities denominated in foreign currency, special drawing rights, bill of exchange, promissory note, certificate of deposit, bonds, and other debt instrument payable in convertible foreign currencies etc. The Bank also maintains record of the foreign exchange reserve held by the licensed Banks and Financial Institutions. The gross foreign exchange reserve holding of the Banking System of Nepal at the end of the reporting period is as follows:

(inNRs. billion)

Particulars	Current Year	Previous Year
Foreign Exchange Reserve:		
(a) Held by Nepal Rastra Bank		
Convertible Foreign Currency	721.33	666.97
Non-Convertible Foreign Currency	251.77	243.4
Gold Reserve	30.55	28.22
Special Drawing Rights	0.16	0.17
Sub Total	1003.81	938.76
(b) Held by Banks and Financial Institutions		
Convertible Foreign Currency	102.00	141.51
Non-Convertible Foreign Currency	11.19	10.67
Sub Total	113.19	152.18
Total Foreign Exchange Reserve of Banking System	1117.00	1090.94

Instrument wise Investment of Foreign Exchange Reserve of the Banking System in terms of percentage of total reserve are as follows:



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Particulars	Current Year (in %)	Previous Year (in %)
Foreign Exchange Reserve:		
US Treasury Bills	1.44	1.43
Indian Treasury Bills	19.73	20.29
BIS FIXBIS	0.19	0.18
Bonds/Notes	11.09	12.16
Mid Term Instrument	0.74	0.76
Call Deposits	4.64	2.83
Time Deposit	40.09	42.81
Gold Deposit	2.48	2.40
Special Drawing Rights	1.58	0.00
Balance with NRB and BFIs	18.01	17.14
Total	100.00	100.00

5.12. Projects' Asset and Liability

The assets, liabilities, equity, income and expense of five projects, namely, Poverty Alleviation Project in Western Terai (PAPWT), Micro-Credit Project for Women (MCPW), Production Credit for Rural Women Project (PCRW), Third Livestock Development Project (TLDP) and Raising Income of Small and Medium Farmers Project (RISMFP) which were run, during the reporting period, under subsidiary loan agreements with GON or project agreements with other funding agencies were consolidated with the Bank's financial statements. Out of these five projects Production Credit for Rural Women Project (PCRW) has already been closed and an amount of Rs.1,38,75,321.00 has been transferred to NRB account after the closure of the project. The Financial Position and Income statements of these projects are as below:

For the Year ended 32nd Asar 2075

Statement of Financial Position

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMFP*	Total
<u>Equity & Liabilities</u>						
Reserve & Surplus	11,542,707	5,414,180	29,567,758	-	10,160,668	56,685,313
Loans	36,500,000	6,100,286	90,400,000	-	-	133,000,286
Accounts Payable	-	30,501	-	-	-	30,501
Total Equity & Liabilities	48,042,707	11,544,967	119,967,758	-	10,160,668	189,716,100
<u>Assets</u>						
Loan to PFIs	-	-	-	-	-	-
Investment	45,541,000	-	100,000,000	-	-	145,541,000
Other Receivables	792,975	-	1,374,657	-	6,661,172	8,828,805
Cash and Bank Balance	1,708,732	11,544,967	18,593,101	-	3,499,496	35,346,295
Total Assets	48,042,707	11,544,967	119,967,758	-	10,160,668	189,716,100



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Statement of Comprehensive Income

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMFP*	Total
A. Income						
Interest Income:	5,806,660	1,550,891	13,636,000	1,467,436	-	22,460,987
From Loan to PFIs				16,683		16,683
On Investment	5,806,660	1,550,891	13,636,000	1,450,753		22,444,304
Foreign Exchange Gain					1,892,431	1,892,431
Loan Loss Prov. Written back				11,122		11,122
Other Income			476	93,250		93,726
Total Incomes	5,806,660	1,550,891	13,636,476	1,571,809	1,892,431	24,458,267
B. Expenditure						
Administrative Expenses						
Interest Expenses	1,259,250	396,519	3,785,500	58,648		5,499,917
Depreciation						-
Total Expenses	1,259,250	396,519	3,785,500	58,648		5,499,917
Surplus (Deficit) (A-B)	4,547,410	1,154,372	9,850,976	1,513,160	1,892,431	18,958,350

For the Year ended 31ndAsar 2074

Statement of Financial Position

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMFP*	Total
<u>Equity & Liabilities</u>						
Reserve & Surplus	6,995,297	4,259,808	19,716,782	12,362,148	7,924,373	51,258,408
Loans	43,800,000	18,300,858	96,050,000	11,729,647	35,595,507	205,476,013
Accounts Payable	-	91,504	976	1,362,983	-	1,455,464
Total Equity & Liabilities	50,795,297	22,652,170	115,767,758	25,454,778	43,519,880	258,189,884
<u>Assets</u>						
Loan to PFIs	-	-	-	1,101,098		1,101,098
Investment	45,541,000	9,699,000	108,680,000	10,980,000	-	174,900,000
Other Receivables	873,389	182,288	2,051,986	206,364	-	3,314,026
Cash and Bank Balance	4,380,908	12,770,883	5,035,773	13,167,316	43,519,880	78,874,759
Total Assets	50,795,297	22,652,170	115,767,758	25,454,778	43,519,880	258,189,884



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Statement of Comprehensive Income

Particulars	PAPWT	MCPW	TLDP	PCRW	RISMFP*	Total
A. Income						
Interest Income:	2,031,063	573,014	5,550,744	1,269,228	-	9,424,049
From Loan to PFIs				83,417		83,417
On Investment	2,031,063	573,014	5,550,744	1,185,811		9,340,632
Loan Loss Prov. Written back				22,245		22,245
Other Income						-
Total Incomes	2,031,063	573,014	5,550,744	1,291,473	-	9,446,294
B. Expenditure						
Administrative Expenses					175,828	175,828
Interest Expenses	1,478,250	762,535	4,011,500	371,439		6,623,724
Foreign Exchange Loss					4,129,996	4,129,996
Loan Loss Provision						-
Depreciation						-
Total Expenses	1,478,250	762,535	4,011,500	371,439	4,305,824	10,929,548
Surplus (Deficit) (A-B)	552,813	(189,521)	1,539,244	920,034	(4,305,824)	(1,483,254)

*Raising Incomes of Small & Medium Farmers Project (RISMFP) is a project aimed at increasing the production of high value commodities by small and medium sized farmers in mid-western and far-western development regions of Nepal. The project's estimated cost is US\$ 33.54 million of which Asian Development Bank's (ADB) contribution is US\$20.10 million.

A grant agreement was signed between Ministry of Agriculture Development , Nepal Government (GoN) and Asian Development Bank (ADB). Part A of the project for 'Agribusiness Grant Facility' (AGF) component with the grant proceed of US\$ 12,012,000 was to be implemented by Nepal Rastra Bank (NRB) under the project agreement between NRB and ADB dated 16 March 2011.

Till 16th July 2018 total amount of Rs.1,088,306,808.37 has been received from ADB while the loan disbursed amounts to Rs. 1,094,967,981 and the difference amount of Rs. 6,661,172.63 has been shown under other receivables.

The three projects namely; Community Ground water Irrigation Sector Project (CGISP) ,Gramin Kshetrama Bittiya Pahunch Karyakram (KFW) and Rural Self Reliance Fund (RSRF) were run by the bank on behalf of the GON. The assets, liabilities, equity, income and expense of such projects were not consolidated in the accounts of the Bank. The Financial Position and Income statements of these projects are as below:



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Statement of Financial Position

Particulars	As on 32nd Asar 2075			As on 31st Asar 2074		
	CGISP	RSRF	KFW	CGISP	RSRF	KFW
<u>Equity</u>						
Capital Contribution **	17,548,370	793,400,000		17,548,370	793,400,000	
Surplus	169,843,182	143,570,785	17,369,321	130,172,524	128,379,628	
Financial Risk Fund	5,200,000			5,200,000		
<u>Long-term Liabilities</u>						
Loan from ADB - Non-Current Portion	123,776,297			140,502,824		
<u>Current Liabilities and Provision</u>						
Loan from ADB - Current Portion	76,942,023			60,215,496		
Service Charge due on Loan from ADB	22,980,161			20,972,977		
Loan From GON			389,249,226			
Loan Loss Provision	320,958	85,538,238		469,488	73,141,693	
Accounts Payable	326,141	81,646,401		326,141	70,197,425	
Total Equity & Liabilities	416,937,132	1,104,155,424	406,618,547	375,407,820	1,065,118,745	
<u>Assets</u>						
<u>Non-Current Assets</u>						
Fixed Assets	4	528,558		4	550,501	
Loan to PFI- Non Current Portion	18,619,035	18,162,500		32,095,787	30,562,500	
Investment	300,000,000	370,000,000		306,000,000		
<u>Current Assets</u>						
Interest Receivables	3,711,575	49,654,777	8,082,906	6,358,066	39,260,356	
Loan to PFI-current portion	13,476,752	448,562,248	389,249,226	14,852,985	571,049,748	
Cash and cash equivalents	81,129,766	217,110,340	9,286,415	16,100,978	423,695,641	
Sundry Debtors		37,000				
Total Assets	416,937,132	1,104,055,424	406,618,547	375,407,820	1,065,118,745	

** Capital Contribution in case of RSRF includes, contribution of the Bank amounting to Rs. 253,400,000 which was shown by way of 'investment at fair value through other comprehensive income' under note 4.5 of the financial statements.



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Statement of Comprehensive Income

Particulars	As on 32nd Asar 2075			As on 31st Asar 2074		
	CGISP	RSRF	KFW	CGISP	RSRF	KFW
A. Income						
Interest Income:	41,573,276	53,596,606	8,082,906	10,928,800	30,289,918	
From Loan to PFIs	2,157,568	32,762,771	8,082,906	4,103,649	27,279,900	0
On deposit with banks	39,415,708	20,147,272		6,825,152	2,013,454	
On Investment		686,563			996,564	
Other Income	10327	537,142			683,028	
Loan Loss Provision Written back	148,530	0		194,551	0	
Total Incomes	41,732,133	54,133,748	8,082,906	11,123,351	30,972,946	
B. Expenditure						
Administrative Ex- penses	43,963	26,546,046	0	37,358	6,428,372	
Provision for Service Charge	2,007,183	12396545.49	0	2,007,183		
Loan Loss Provision	-		-	-	28,058,340	
Depreciation	0			27,906	15,802	
Total Expenses	2,051,146	38,942,591	0	2,072,447	34,502,513	
Surplus (Deficit) (A-B)	39,680,987	15,191,157	8,082,906	9,050,905	-3,529,567	

5.13. Interest in other entities

The Bank has invested in quoted & unquoted equity securities of eleven different entities as presented below.

5.13.1. Investment in quoted securities

Investment in quoted equity securities includes the following. The bank holds promoter shares of such entities.

Particulars	% of holding	Investment at cost		Investment at Fair value	
		32-03-2075	31-03-2074	32-03-2075	31-03-2074
RMDC Laghubitta Bittiya Sanstha Ltd.	4.05	21,045,000	21,045,000	95,881,291	140,334,584
Citizen Investment Trust	13.00	13,350,000	13,350,000	1,298,216,945	2,341,151,989
Grameen Bikas Laghubitta Bittiya Sanstha Ltd.	3.05	19,999,800	19,999,800	54,222,726	93,542,387
Total		54,394,800	54,394,800	1,448,320,962	2,575,028,961

The fair value of shares in RMDC Laghubitta Bittiya Sanstha Ltd. has been considered on the basis of latest trading price of promoter share of the company in stock market. In absence of trading of promoter share of Citizen Investment Trust & Grameen Bikas Laghubitta Bittiya Sanstha Ltd, we have considered ratio of share price of promoter share & general share of RMDC to get fair values of other entities.



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5.13.2. Investment in unquoted securities

The bank has investment in unquoted equity securities of the following entities:

Particulars	% of holding	Investment at cost		Investment at Fair value	
		32-03-2075	31-03-2074	32-03-2075	31-03-2074
Agricultural Project Services Centre	62.50	5,000,000	5,000,000	-	-
Rastriya Beema Sansthan - Life Ins.	55.56	1,000,000	1,000,000	1,000,000	1,000,000
Nepal Stock Exchange Ltd.	34.60	12,080,500	12,080,500	1,046,014,465	1,094,822,589
National Productivity and Eco. Dev.	31.52	2,500,000	2,500,000	-	-
Deposit & Credit Guarantee Fund	10.00	35,00,000	35,00,000	884,055,389	402,429,639
Nepal Clearing House	10.00	5,000,000	5,000,000	47,178,000	32,017,500
Credit Information Bureau	10.03	407,594,000	107,580,000	82,899,198	64,047,802
National Banking Institute	15.29	15,000,000	15,000,000	20,352,096	15,724,000
Total		451,674,500	151,660,500	2,081,499,147	1,610,041,530

Fair Value of the shares investment in unquoted equity securities has been arrived based on the latest available audited financial statement of respective entities.

5.13.3. Significant Interest in entities

The bank has significant interest in the following entities. The details regarding interest in those entities are as under:

Name of Entity	Paid up capital	Investment at Face Value	%age of share	Principal Activity	Principal Place of Business
Agricultural Project Services Centre Pvt. Ltd.	8,000,000	5,000,000	62.50	Provides services related to agricultural activity	Singhadurbar, Kathmandu
Rastriya Beema Sansthan - Life Insurance	181,000,000	100,566,700	55.56	Life insurance service	Ramshshpath, Kathmandu
Nepal Stock Exchange Ltd	300,000,000	103,799,370	34.60	Impart free marketability and liquidity to the government and corporate securities by facilitating transactions in its trading floor through member, market intermediaries, such as broker, market makers etc.	Singhadurbar plaza, Kathmandu
National Productivity and Eco.Dev ltd	7,931,472	2,500,000	31.52	Provides research and consultancy services offers socio-economic, productivity, management, policy planning, and energy conservation consultancy services	Balaju, Kathmandu



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Significant interest in above four entities is because of the investment in equity instruments (promoter shares) of such entities which were made under specific directives or policies of the Government of Nepal and other relevant statutes. The bank is in the process of divestment of such investment by selling the shares the bank holds. The cost and its carrying amounts of assets recognized in the financial statements on such entities are as follows:

Particulars	Investment at cost		Carrying Amounts (Investment at Fair value)	
	32-03-2075	31-03-2074	32-03-2075	31-03-2074
Agricultural Project Services Centre	5,000,000	5,000,000	-	-
Rastriya Beema Sansthan - Life Insurance	1,000,000	1,000,000	1,000,000	1,000,000
Nepal Stock Exchange Ltd.	12,080,500	12,080,500	1,046,014,465	1,094,822,589
National Productivity and Eco. Dev.	2,500,000	2,500,000	-	-
Total	20,580,500	20,580,500	1,047,014,465	1,095,822,589

In the absence of audited financial statements of Agricultural Project Services Centre, Rastriya Beema Sansthan and National Productivity & Economic Development Ltd., the bank is not able to estimate the fair value of investment in such entities. Therefore, the bank has made impairment by full amount for the investment in Agricultural Project Service Centre and National Productivity & Economic Development and is not expected for its recovery. In addition, Agricultural Project Service Centre is in the process of liquidation since long. In case of Rastriya Beema Sansthan, the bank has expected to recover its investment and hence the fair value is equal to its cost.

The carrying amount of Rs. 2,081,499,147 (PY Rs. 1,610,041,530) as shown in above table has been included under Investment securities in the Statement of Financial Position. Being, all the above entities as limited liability company, this is the maximum exposure to loss from its significant interest in such entities.

5.13.4. Transactions with Entities having Significant Interest

The bank has done some transactions with the entities having significant interest of the bank. Such transactions were occurred in the normal course of NRB's operations and conducted as arms length transactions. The details of such transactions were as follows:

Entity	Nature of Transaction	FY 2074-75	FY 2073-74	Remarks
Rastriya Beema Sansthan - Life Insurance	Insurance Premium paid by the bank	97,153,904	86,868,095	
Nepal Stock Exchange Ltd	Dividend Income received by the bank	51,899,685	51,899,685	

5.14. Transaction with the International Monetary Fund (IMF)

The Bank transacts with IMF as an agent of the Government in respect of quota where in case of Special Drawing Rights (SDRs), Loans etc. from them it transacts in its own right. The IMF revalues quota at the end of April every year and gains or losses arising from such revaluation relating to quota are borne by Government. In case of other transactions such gain/losses are borne by NRB. The Basic policies followed by the NRB on such accounts are as follows:

- Country's quota with the IMF is recorded by the Bank as depository of the Government and exchange gain/loss arising on quota are borne by Government.
- Exchange gains or losses in respect of borrowings under ECF and other facilities of the IMF, allocation of SDRs and holding of SDRs are recognized in the Income Statement.



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